Supplement to the Final Report of the ACTION COMMITTEE ON THE RURAL ECONOMY (ACRE)

Submitted to the Government of Saskatchewan

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PREFACE FOR THE ACRE FINAL REPORT SUPPLEMENT

The following document contains final reports from each of the eight subcommittees, the ACRE Youth Form and the research work of Doug Elliot, with SaskTrends Monitor and Ken Perlich with Econex Consulting. It should be noted that with the exception of the recommendations highlighted in the final report, all the recommendations from each sub-committee and the ACRE Youth Forum have not been discussed with the entire ACRE Committee and therefore are only approved at the sub-committee level. It is expected that all recommendations will be reviewed over time for relevancy and importance. This document and other ACRE documents can be found on the web at www.agr.gov.sk.ca/acre

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ACTION COMMITTEE ON THE RURAL ECONOMY

Agricultural Subcommittee Report

November 2001

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INTRODUCTION

The following report represents the product of discussions at which no consensus was reached on some issues. Future initiatives to explore these issues need to develop a process by which consensus can be reached which respects diverse values and strongly held beliefs. The process must also provide sufficient timelines to accommodate the critical analysis upon which objective discussion can be conducted.

RECOMMENDATION SUMMARY

I. **Agriculture operates in a global economy and must have a competitive business climate. Key elements are taxation levels, efficiency of regulation, supports for investment and development of effective risk management options, cost of living, and support for the environment. It is recommended the Government conduct a comprehensive review to assess our competitiveness in these areas. It is further recommended that the Government provide the support necessary to have industry wide policies and practices to enhance the industry's competitiveness through food safety and sound environmental practices.**

II. **It is recommended that the province move forward on the development of a feeding industry to complement the grains and oilseeds sector. Efforts to get the people of Saskatchewan to embrace this transformation must be increased. In this regard, the citizens of the province need to feel that their health and the environment in general is protected. In addition, the government needs to take measures to ensure that impediments to this transformation including financing, regulatory impediments, environmental sensitivity and leadership are addressed.**

Sub-recommendations

a) The people of Saskatchewan should take the dramatic measures necessary to realize on the opportunity inherent in the expansion of a feeding industry.

b) The Government of Saskatchewan should ensure that financing for intensive livestock is available for primary producers who wish to pursue the opportunities that are available. Opportunities to finance world-scale livestock breeding operations or viable feeding operations, not categorized as an intensive livestock operation, must also be examined. Options should be developed that will allow self-directed RRSP contributions to be used in local operations. Federal government support and participation will be essential. Financing options that already exist (such as the Saskatchewan based Labour Sponsored Venture Capital Funds) should be more effectively promoted.

c) There is a need to recognize that the limited number of existing players in the feeding industry has led to limited experienced management to initiate and operate new projects. Government should take efforts to promote leadership, entrepreneurship development and recruitment.

d) It is recommended that government investigate new approaches to get projects off the ground with less unnecessary delays and expenses for proponents. Complementary efforts with local governments to develop consistent, transparent criteria for project approval will also be required.

e) A study should be commissioned to interview ILO proponents who have successfully completed their projects so that they can identify, in practical terms, the steps that were necessary for the completion of their projects and the kind of issues that they encountered.

f) Saskatchewan should become a world leader in protecting the larger environment vis-a-vis livestock production. Accepted practices need to be monitored and enforced so that people living in or preparing to move to Saskatchewan need to feel that the government is protecting their health and safety. The Province and livestock industry should participate fully in federal/provincial initiatives to create a national approach to on-farm environmental planning.

g) An expansion of permanent cover programming is recommended. In addition, extension efforts to insure producers have access to the most up to date forage management plans will be essential.

h) The Government should work with private sector partners to develop increased meat processing in the province. These efforts would include assessing impediments that restricts meat plants from gaining an inspection status that would enhance market access opportunities (currently only federally inspected plants can ship out of province).

i) The government should work with industry to explore integrated production units where economics encourage a critical mass.

j) Government should also consider the establishment of a feed processing facility that can research and demonstrate the processing, combining of constituents, and evaluating all manner of feedstocks for livestock.

k) A study should be commissioned to examine the opportunities for products such as free-range hog production (ethical and environmentally sensitive production).

l) The government should be an advocate and provide incentives for the development of "infrastructure corridors" where various intensive agricultural operations could gain the benefits faster and cheaper hookups to infrastructure (gas, electricity, communications, water, and transportation) that have been placed along the most logical common track.

m) The government should make transparent decisions on the public policy objectives of the Crowns in an open public discussion (examples of public policy objectives include cross subsidies for utility rates and service/access standards) and be prepared to fund these decisions appropriately. For example, the province should make available direct support to the utilities to keep rates and hook up charges in rural Saskatchewan competitive with urban areas.

III. The organic sector appears to hold much promise for this province and it is recommended that it be pursued. It is recommended that the Government of Saskatchewan ensure a broad based organic strategy is developed to take advantage of this opportunity and to assist in the establishment of a national accreditation system. It is expected that organic industry leadership will drive this strategy.

IV. Irrigation opens new areas for diversified agricultural growth. It is recommended that the Government of Saskatchewan adopt an aggressive policy towards expanded utilization of the current irrigation system and further development.

Sub-recommendations

a) The total acreage in Saskatchewan under irrigation should be increased. This would include new infrastructure at existing sites and modernization of some of the existing infrastructure. This would include expansion at Outlook and a close assessment of the potential at other sites, including Rafferty and other basins along the Saskatchewan River. New forms of small-scale irrigation, which utilize smaller bodies of water, should be considered.

b) Immigration could be utilized to bring producers into the province that have experience in growing products which take full advantage of irrigation opportunities.

c) Processing of horticulture crops could be encouraged to enhance the viability of irrigation production.

d) The linkage between developed irrigation and ILO's in other provinces leads to the need for an examination of why the livestock industry underutilizes irrigated areas in Saskatchewan.

e) An active push to establish New Generation Cooperatives (or other appropriate structures) to process horticulture crops could be considered in conjunction with the development of an irrigation-based food-processing park.

V. A key element of the feeding industry across Canada is the supply-managed sector (poultry and dairy) representing 1/3 of the feed grains used. The sector accounts for 20% of Canadian receipts and is among the most profitable sectors of agriculture. The Government of Saskatchewan should develop and implement a growth strategy that will allow supply-managed production to grow to 5% of our cash receipts by 2004.

VI. It is recommended that as government develops programming and regulations, that it builds in sufficient flexibility to allow for the unique needs of niche products and emerging sectors. Leadership in gathering the early initiators to discuss a common strategy would reduce the duplication of effort. Educational support and extension information could enhance uptake of the new opportunity. Nesting of some industries with respect to processing, production and marketing could apply.

Sub-recommendations

a) The Government of Saskatchewan should ensure that small organizations have the financial capacity to provide educational material on implementing new opportunities. Further, the Government should ensure that it has the extension capacity to provide producers with information on these emerging areas.

b) Orchards of small fruits are being developed in isolation despite the fact that volumes are required to establish processing and marketing. Industry leadership in the fruit industry should be encouraged to examine options on how to address this issue.

c) One of the problems identified for the development of farm-based tourism is high insurance premiums. A useful move would be to pull the insurance industry together and give them an opportunity to respond, and failing a satisfactory result, examine alternative ways of group insurance.

d) The heavy horse and recreational horse industries are depending on the myths of the past to sustain their qualities. There could be a useful effort made to redevelop standards for horse use and display, and people trained to maintain them. Saskatchewan could become a major center for heavy horse culture and the spin off benefits.

e) The possibility of co-generation of energy from ILO wastes should be examined.

f) The technology of large wind farms is suggested as approaching in cost other sources of electricity. The technology of small individual farms with wind-electric units has been allowed to decline. Both areas deserve careful investigation.

g) The processing of meat from specialized livestock, particularly bison and elk is stumbling because of a lack of aggressive marketing and an adequate local processor. Such a Saskatchewan plant would be desirable.

h) Efforts should be made to increase the production and utilization of ethanol.

i) Initiatives that would promote and develop the non-food use of agricultural production should be expanded.

VII. It is recommended that the Government of Saskatchewan work to develop the transportation infrastructure that will be necessary for the emerging economy. Key elements will include linking Saskatchewan with emerging distribution hubs and linking our major centers. Key principles to be followed include competitiveness and efficiency. Overall, the government must be prepared to invest more money in transportation.

Sub-recommendations

a) It is recommended that the Government of Saskatchewan strongly lobby the federal government to create open access for rail infrastructure to enhance competition in the rail sector and lead to benefits for producers.

b) The Government should explore the economic feasibility of constructing a world scale container port.

c) It is recommended that a study be commissioned to examine the necessity of improving transportation ties to Calgary as a prerequisite step to any viable, world scale processing growth.

d) The government needs to ensure that a key network of quality highways connects the major rural centers with the transportation/service city hubs.

e) It is recommended the government consider the emerging economy as it conducts its transportation planning. For example, the development of key north south road corridors will be essential if Saskatchewan is to take advantage of emerging opportunities resulting from NAFTA.

f) It is recommended that the Government of Saskatchewan actively pursue increased air access to major business and resource hubs to meet the needs of business travelers.

g) It is recommended that government consider a program that would provide property tax credits to new construction along locally identified transportation routes for those producers who wish and are able to locate new buildings along these key corridors.

VIII. Creating a more prosperous agricultural economy is a key first step. However, to be sustainable rural Saskatchewan requires the maintenance of a critical mass of people in the rural area. It is recommended that agricultural policy identify the lead role that agriculture can play in maintaining a rural population base.

Sub-recommendations

a) It is recommended that both levels of government conduct a review of their policies to determine whether measures can be taken which would support part time farms.

b) It is recommended that Government create manage and advertise two registers that would link producers wishing to retire with those wishing to enter the industry. These new entrants would have available financial bridging support from government.

c) It is recommended that students who return and stay on the farm after successful completion of a post secondary course related to agriculture could have all or a portion of their tuition forgiven.

d) Government could provide concessionary financing to new entrants (low interest loans, interest rebates etc), which would be designed to minimize capitalization of benefits.

e) Programming should be provided that would provide new entrants with a wider range of management/ marketing assistance until they have developed individual expertise.

f) Intergenerational transfer of farms contains a number of additional considerations beyond those for new entrants. For example, retiring parents need to have timely access to sufficient capital to retire and need to be confident that the risk of future financial difficulty of the farm will not jeopardize their retirement. Programming needs to be developed to address the specific issues of those exiting the industry.

g) It is recommended that courses be expanded at SIAST to train workers for the emerging agricultural opportunities by 2002. These courses should focus on rural high school students and have a strong work term element and utilize distance education as much as possible.

h) Agricultural programming at the University of Saskatchewan should also contemplate whether the above principles could be incorporated into their course offerings.

i) The government should make a concerted effort to attract immigrant farmers and farm workers to rural Saskatchewan.

j) To achieve the rural population growth objectives, it is recommended that strategies focused on retention of rural residents, encouragement for inter-provincial in-migration, international immigration and support for families be considered as elements in this plan.

k) Ensuring the Aboriginal population base in Saskatchewan has good job opportunities is essential if we are to ensure that we constructively engage this growing element of our population.

l) Further efforts need to be pursued to increase Aboriginal participation in agriculture.

m) ACRE supports government giving full consideration to the public policy benefit associated with rural economic development when targeted support is provided.

n) The Government should encourage producers to use all tools and organizational structures that allow them to work together cooperatively.

o) Many producers will need assistance growing their marketing skills to take advantage of the export market. Government should work to expand the export development insurance that is available to producers.

PRIMARY AGRICULTURAL SECTOR PROFILE

Overview

Primary agriculture is carried out on over sixty-five million acres in Saskatchewan of which forty-five million acres are cultivated for annual crop production and approximately twenty million acres are used for forages and livestock production. Approximately forty-five percent of Canada's arable land base is located in Saskatchewan.

Saskatchewan's semi-arid climate, cool nights, relatively low heat units, cold winters and highly variable weather patterns dictate the range of crops that can be grown. Adapted crops must be early maturing and drought tolerant. Due to our semi-arid climate, Saskatchewan's competitive advantage in crop production is higher quality as opposed to low quality cost/large quantity production. Saskatchewan producers have moved to diversified cropping with almost four million acres of specialized crop production in 1999.

Saskatchewan is a competitive producer of livestock. Feed costs are very competitive even with long winter-feeding periods. Confinement operations can do well in our climate with heating costs being more than offset by lower cooling costs compared to those in warmer weather production areas. There is a growing specialized livestock industry. Our large agricultural acreage and low population density provides opportunity for location of intensive livestock operations that do not exist in other jurisdictions.

Global Perspective

Trade

More and more players are participating in global trade of agricultural products.

World trade doubled between 1985 and 1996 to $464 billion US. World population has increased from 4.9 billion in 1986 to 6 billion in 1999. A United Nations prediction estimates that 8.9 billion people will inhabit the earth by 2050 and level off or decline thereafter. Rising income levels in developing countries could have a major impact on demand. Growth is expected to continue to between $626 billion and $745 billion US by 2005 (Canada's International Business Strategy).

Market Prices

Primary agricultural commodity markets are typically integrated with world prices, however local conditions can affect some markets. In addition, countries influence world prices via their government's policies on trade openness, trade barriers and subsidization levels.

Subsidization Levels

The support level for producers is a contentious issue that is monitored continuously. A common comparison used is the Producer Subsidy Equivalent (PSE), which is defined by the Organization for Economic Co-operation and Development (OECD) as the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures which support agriculture. The grains and oilseeds sectors show a significant variance in levels of support in different countries. In 1999, PSE levels for wheat in the EU, US and Canada were 58 percent, 46 percent and 11 percent respectively. A level of 58 percent means that 58 cents of every dollar of farmers' wheat sales come from government subsidies. The support level for the milk sector indicates a more common ground; the comparative PSE levels are 58 percent, 57 percent and 58 percent for the EU, US and Canada respectively. Overall, support levels in these three jurisdictions show a significant difference in support levels. The average PSE for all commodities are 49 percent, 24 percent and 20 percent for the EU, US and Canada respectively.

Canadian and Provincial Perspective

The agriculture industry in Saskatchewan is critical to the health of the Saskatchewan economy. On average, it accounts for nine percent of the province's GDP, with 10 percent of the labour force employed in primary agriculture, providing over $4 billion of exports annually, which represents approximately thirty-six percent of Canada's agricultural exports.

Primary agriculture in Saskatchewan is largely a family business with seventy-one percent of farms in 1996 being sole proprietorships and an additional six percent being family corporations. Twenty-one percent of Canada's farms are located in Saskatchewan and seventeen percent of Canadian agricultural jobs are located in Saskatchewan.

Farmers also make a significant contribution to the economy through their capital investment and purchase of inputs. Statistics Canada shows the total farm capital investment in Saskatchewan at $32 billion for 1998. This figure is made up of $21.7 billion in land and buildings, $8 billion in machinery and equipment, and $2.7 billion in livestock and poultry. Farmers are also major purchasers of goods and services with the average total gross operating expense for the period 1989 to 1998 being $3.6 billion annually.

Saskatchewan remains highly dependent on income from the grain and oilseed sector. Three-quarters of our farm cash receipts are derived from this sector. Therefore when grain and oilseed prices decline sharply, Saskatchewan's farm income also declines sharply.

Low grain prices over the past two years have resulted in significantly lower crop receipts in Saskatchewan, while operating expenses continue to rise due largely to the escalating world prices of energy. Agriculture and Agri-Food Canada estimates Saskatchewan's 2000 realized net farm income at $271 million, down 56% compared to the 1995-99 average. Saskatchewan's realized net farm income for 2001 is estimated at $224 million, which is down 63% compared to the 1995-99 average.

Farmers are diversifying their production. In part, this is due to the low prices of some of the major commodities, like wheat, that is heavily subsidized in world markets. In part, it is due to the loss of the Crow Benefit that removed some $300 million in freight assistance for Saskatchewan farmers and more than doubled the freight costs paid by some producers. The extent to which crop diversification can occur is limited by the adaptation of specific crops to regional climatic conditions and requires rotation of these crops to avoid build up of disease and other crop pests.

The long-term trend of declining farm numbers and increasing farm size will continue. The necessity to capture economies of scale, the increasing cost of equipment and commodity transportation, an aging farm population and periods of depressed commodity prices are all factors driving this process. It was predicted that the loss of the Crow Benefit would result in an increase in livestock production and more value added processing. Such change will be a long-term process. As rural populations decrease, maintenance of rural infrastructures will become an increasing issue. Schools, health services, service points and roads, among others, will be difficult to maintain. Increased distances for services will result in higher costs and lower levels of satisfaction with rural lifestyles.

Saskatchewan, which exports at least seventy percent of its agricultural production on a value basis, is heavily reliant on global trade and all factors influencing global markets. Trade distorting practices, subsidies, trade barriers in other exporting jurisdictions directly impact the economic viability of Saskatchewan farmers. This is especially true for the major commodities produced and exported by some of the major agricultural exporting countries around the world. The outcome of future World Trade Organization (WTO) negotiations will have a major impact on our industry.

While the income problems facing Saskatchewan farmers are significant, there are farmers all across Canada that are hurting. Grain and oilseed producers all across Canada have been struggling with low prices and high input costs. Potato farmers in Prince Edward Island are facing severe income problems as a result of being shutout of the US market because of potato wart. Cattle ranchers in southern Alberta had to deal with the affects of a severe drought in 2000 and 2001. Canadian farmers are struggling with the fallout of Walkerton and the need to be more vigilant on food safety and environmental issues.

The Federal/Provincial agreement reached in Whitehorse represents a strategy to address many of these issues. Their collective goal is to enhance the financial resilience and competitiveness of Canadian agriculture. This is to be achieved through creation of a sound financial base in the form of an effective safety net supplemented by several initiatives to enhance the demand for and reputation of Canada's products and expand value adding activities. This multi-year policy framework will require the full participation of governments and industry to be successful.

Changes in Primary Production

Grains and Oilseeds

In comparing the levels of acres of the grains and oilseeds sector to the five-year averages, the number of acres committed to wheat, durum, barley and oats are down (combined nine percent decrease) with canola and flax showing substantial increases (combined 18 percent increase) over their five-year average acreages. Summer fallow acres are trending downward and show a one percent decrease from the latest five-year average.

Cattle and Calves

The number of farms in Canada reporting cattle and calves has decreased significantly in all provinces over the past 20 years. Saskatchewan's farm numbers reporting cattle and calves have decreased from 42,348 in 1976 to 25,108 in 1996 (a 40 percent decrease), decreasing more than the national average (37 percent decrease). This decrease in the number of farms has been effectively offset by the 46 percent increase in the number of cattle and calves reported per farm over the same period. This is still lower than the Canadian increase of 57 percent in the average number of cattle and calves per farm.

Hogs

The number of farms in Canada reporting hogs has decreased significantly in all provinces over the past 13 years and Saskatchewan farms reporting hogs have decreased from 5,778 in 1986 to 2,050 in 1999 (65 percent decrease). The national average decrease is 54 percent. Saskatchewan's hog farms represent 12.2 percent of Canada's 16,770 hog farms. The average number of hogs reported per farm has increased significantly in all provinces over the past 13 years with Saskatchewan having the greatest increase, from 105 to 448 hogs per farm (327 percent increase), compared to the national increase of 271 to 739 (173 percent increase).

Saskatchewan's total hog numbers represent 7.5 percent of Canada's total as of 1999. Severe low price swings in the last two years have tempered the anticipated increase in hog numbers in Saskatchewan.

Sheep

The number of farms reporting sheep has increased in Saskatchewan from 1,050 to 1,200 (14 percent) but has decreased nationally from 11,390 to 10,925 (four percent). The number of sheep per farm in Saskatchewan has increased from 50 per farm in 1986 to 70 per farm in 1999 (40 percent increase). Total sheep numbers in Saskatchewan represent eight percent of Canadian sheep numbers as of 1999.

Specialty Crops

Specialty crop (dry peas, lentils, mustard, and canary seed) acreages have grown dramatically since 1991. The total acres of these crops were just over one million acres. In 2000, with the addition of chickpeas, the total acreage in specialty crops is over 5.6 million acres. This represents a percentage increase in the acreages of major specialty crops of over 500 percent.

Horticulture and Fibre Crops

In addition to the specialty crops, producers are keenly interested in a number of smaller acreage crops such as coriander, caraway and dill and herbs like Echinacea, St. John's wort and feverfew. Saskatchewan is also the second largest producer of industrial hemp in Canada.

The Saskatchewan horticultural industry is not nearly as developed as in other provinces. Saskatchewan's industry includes vegetable, potato, fruit, greenhouse and nursery production.

The vegetable industry is primarily made up of market gardens with a few marketing to processors. Statistics Canada indicated 572 acres in commercial production in 1992 compared to 1,055 acres in 1999. As Saskatchewan can competitively produce many crops, there is a potential for this industry to grow.

Statistics Canada shows fruit acreage at 780 acres in 1999. Some estimates suggest that there are actually closer to 2000 acres in production or some stage of development. Key crops are strawberry and Saskatoon with growing interest in chokecherry, sea buckthorn, raspberry and apple. Much of Saskatchewan's fruit industry is focused on u-pick operations.

Statistic Canada shows 36 acres of greenhouse operated by 185 producers. The industry is gradually growing, focusing on bedding plants and other floral products with increasing interest in vegetables, tree seedlings and herbs. There are 2061 acres in nursery production.

Irrigation

There are approximately 325,000 acres under irrigation in the province, 167,000 acres are under sprinkler irrigation, 63,000 acres are surface irrigated and 94,000 acres are backflood. Most of the sprinkler irrigation is in the Lake Diefenbaker area. Much of the surface irrigation is in forage projects in southwest Saskatchewan. Saskatchewan's available water is a resource for economic development that does not exist in other jurisdictions.

Farm Practices

There is a well-established organic industry involving an estimated 1,000 producers with the industry growing at an estimated rate of 20 to 25 percent per year.

There has been a shift in production technology with the development of direct seeding technology. This technology has encouraged producers to move to continuous cropping and is in part responsible for the decreasing summer fallow acreages.

Genetic engineering technology has also become a factor in crop production. The canola industry is a leader in this area with an estimated 60 percent of the seeded acreage in Saskatchewan being genetically modified varieties with tolerance to specific herbicides. Potential future products of biotechnology may offer a range of specialized cropping options to fill specific market niches as well as challenges for increasing the consumers' acceptance of genetically engineered organisms.

Primary producers generally have not been concerned with providing quality assurance to the market place until now. Some exceptions would be organic production and seed production. Markets are becoming more "consumer/market driven" as opposed to "producer/production driven". Increasingly, the industry will be expected to adopt quality assurance programs and to be able to document the production processes used, as marketers demand certain production protocols and the ability to trace product back to the production unit.

Similarly, as new specialized crop or animal products are developed, it will become increasingly important that these products are segregated from field through to end-user. In crops, it will require that the farmer have records on field histories, seed sources, post harvest handling, storage and market records. In livestock production, records from birth to slaughter will be required.

These changes will require a major extension effort to assist producers in adapting to these changing conditions.

Summary

- Primary agriculture is a significant contributor to the provincial economy measured in terms of contribution to the GDP (nine percent of GDP) and the number of people employed in the industry (10 percent of provincial employment).
- Capital stock in the industry including livestock, land and machinery totalled $32 billion in 1998.
- Primary agriculture is heavily dependent on export markets.
- The agricultural industry is primarily composed of family farms or family controlled partnerships and corporations.
- Crop producers have diversified into special crops with approximately 4 million acres planted in 1999. This trend will continue as adapted varieties of new crops are introduced.
- Growth in the traditional livestock sector has not occurred to the same extent that it has in neighbouring provinces. There has been rapid and significant growth in the emerging specialized livestock sectors of bison, elk and white tail deer. With the loss of the Crow Benefit and with depressed grain prices, conversion of marginal land to livestock production can be expected over time. With low feed prices, Saskatchewan can be a very competitive producer of livestock.

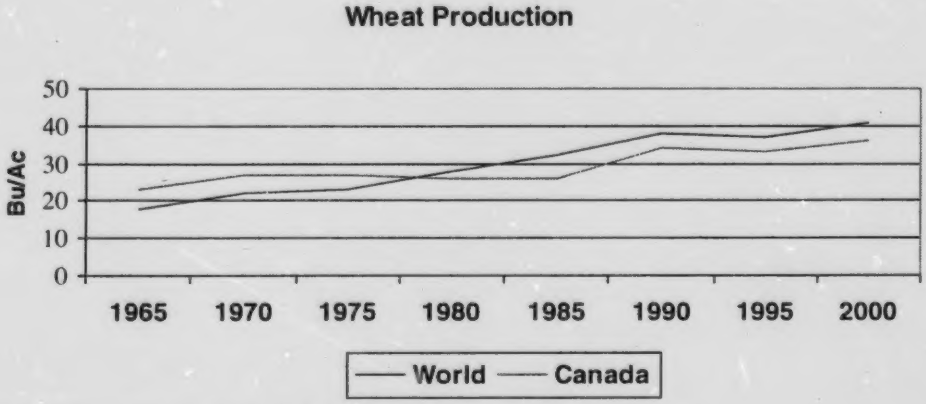
AGRICULTURAL TRENDS

Technology

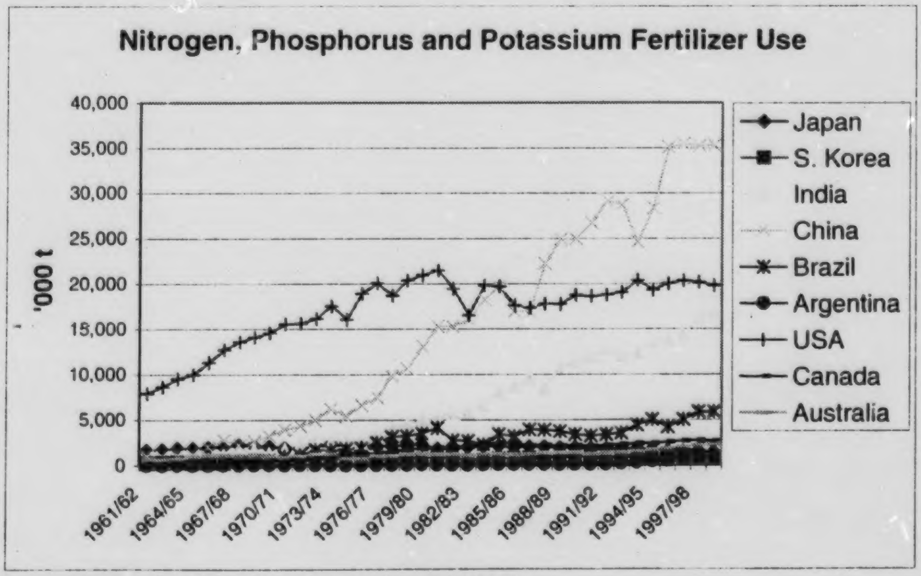
Technology allows agriculture to continue to expand production on a reducing land base. Adoption of technology provides short-term benefits (otherwise, producers wouldn't adopt), however, as more in the industry adopt the technology it drives the cost structures for the industry down. Technology includes things like new varieties, machinery, chemicals, etc. Genetic modification technology appears capable to cause rapid change to agriculture in future years.

One example is the large increase in wheat productivity per acre. Since 1965, world wheat productivity has increased an indicated 125 percent. Canada's productivity increased 58 percent.

A significant factor contributing to the increased productivity is the increased use of fertilizer, with world use increasing by 680 percent since 1961. By far the majority of the increase in fertilizer use is in the developing countries of China and India, with developed countries' fertilizer use remaining relatively static in comparison.



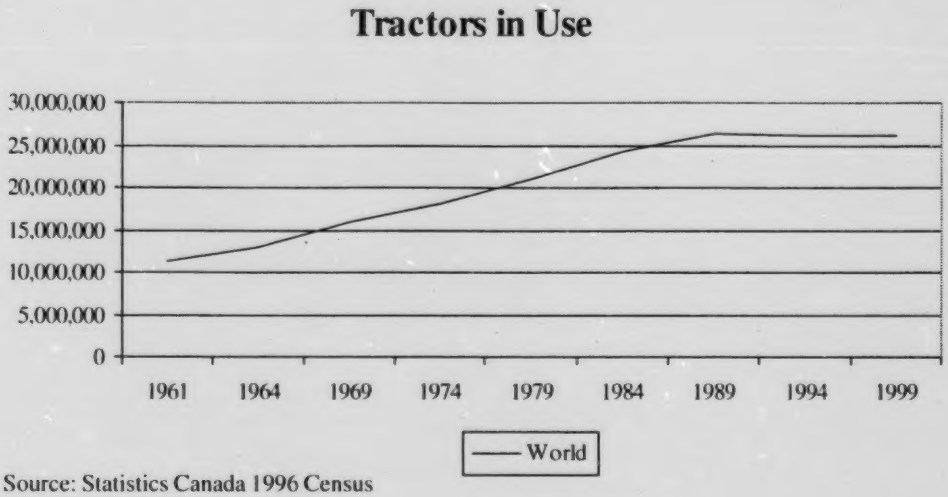
Source: Economic Research Service, USDA



Source: International Fertilizer Association (IFA) 2001

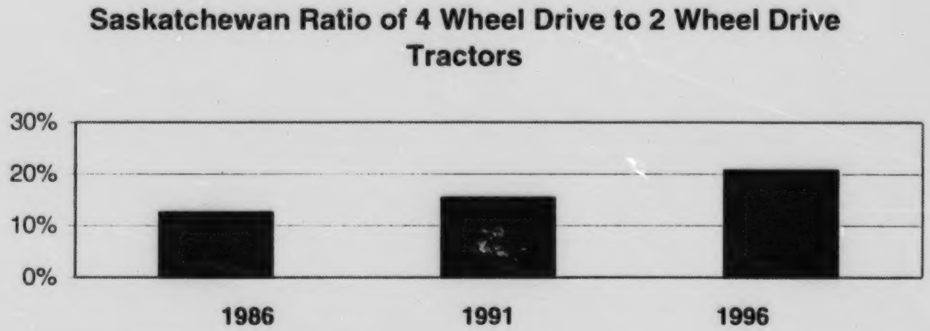
Another significant trend is the dramatic increase in tractor use around the world. This is an increase of 132 percent.

Tractors in Use



Source: Statistics Canada 1996 Census

For Saskatchewan, the move to four-wheel drive tractors has allowed producers to more efficiently farm larger acreages. The ratio of four-wheel drive tractors to two-wheel drive tractors has increased from 13 percent to 21 percent.



Source: Statistics Canada 1996 Census

De-population

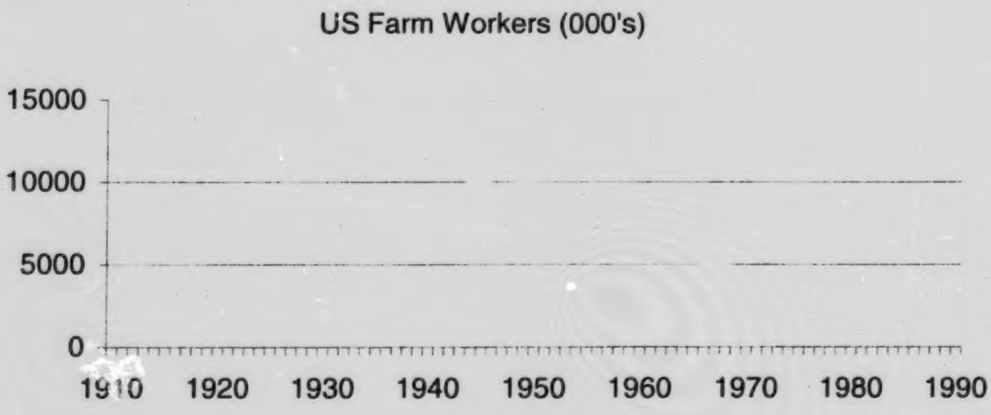
Technology has allowed/required less labour to be used in the efficient production of agricultural products. This has resulted in the decline of the number of farmers in all advanced countries of the world at a time when agricultural production is increasing.

In Saskatchewan, rural de-population is an unquestionable trend. Statistics Canada Census data shows the population in most rural communities declined between 1986 and 1996. A sample of some of the larger rural communities over that time demonstrates a drop in population by 3%.

But this trend is not unique to Saskatchewan. Rural de-population is a trend across Canada and across the globe. One way to quantify this in the USA is to look at the decline in farm labour. As a percentage of the total labour force, the percentage working on the farm has dropped from almost 40 percent in 1900 to around 2 percent in 1990.

The actual number of farm workers in the US has dropped from 14 million in 1910 to 3 million by 1990.

Source: U.S. Census Bureau

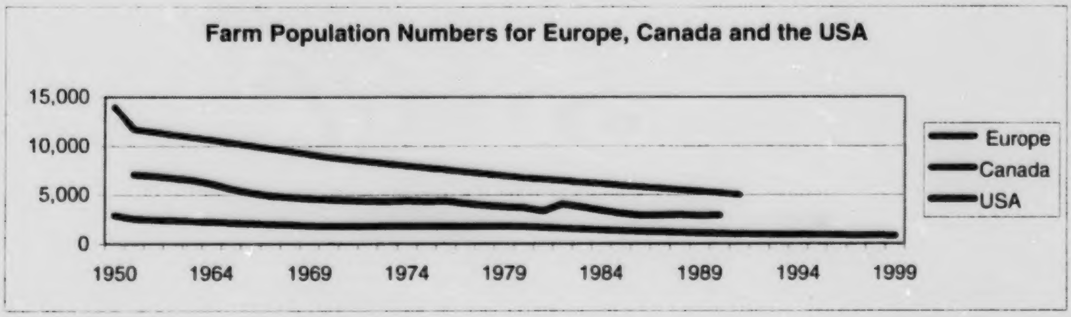


Source: USDA, National Agricultural Statistics Service, 1996

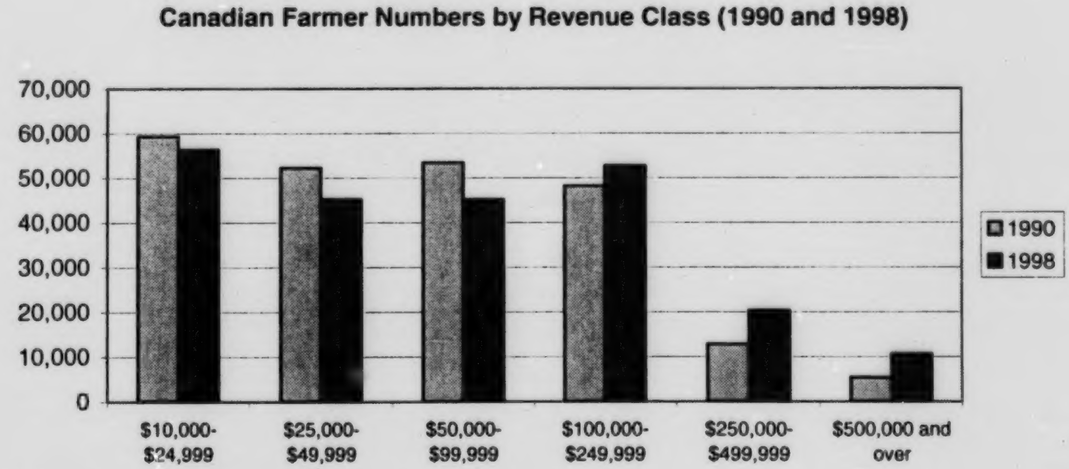
The European Union is not exempt from this trend either. Records in the EU, track Agricultural population, and shows the 30-year trend is as well downward. This is illustrated on the following charts:

Changing farm population

The farm population in developed countries is moving towards larger sized operations based on revenue generated. Under this distribution, there is a small number of large farms (producing a large percentage of production) and a large number of small farms (producing a small percentage of production). The percentage of small and mid-size farms is on the decline.



Source: Economic Research Service, USDA
Source: Statistics Canada 1996 Census

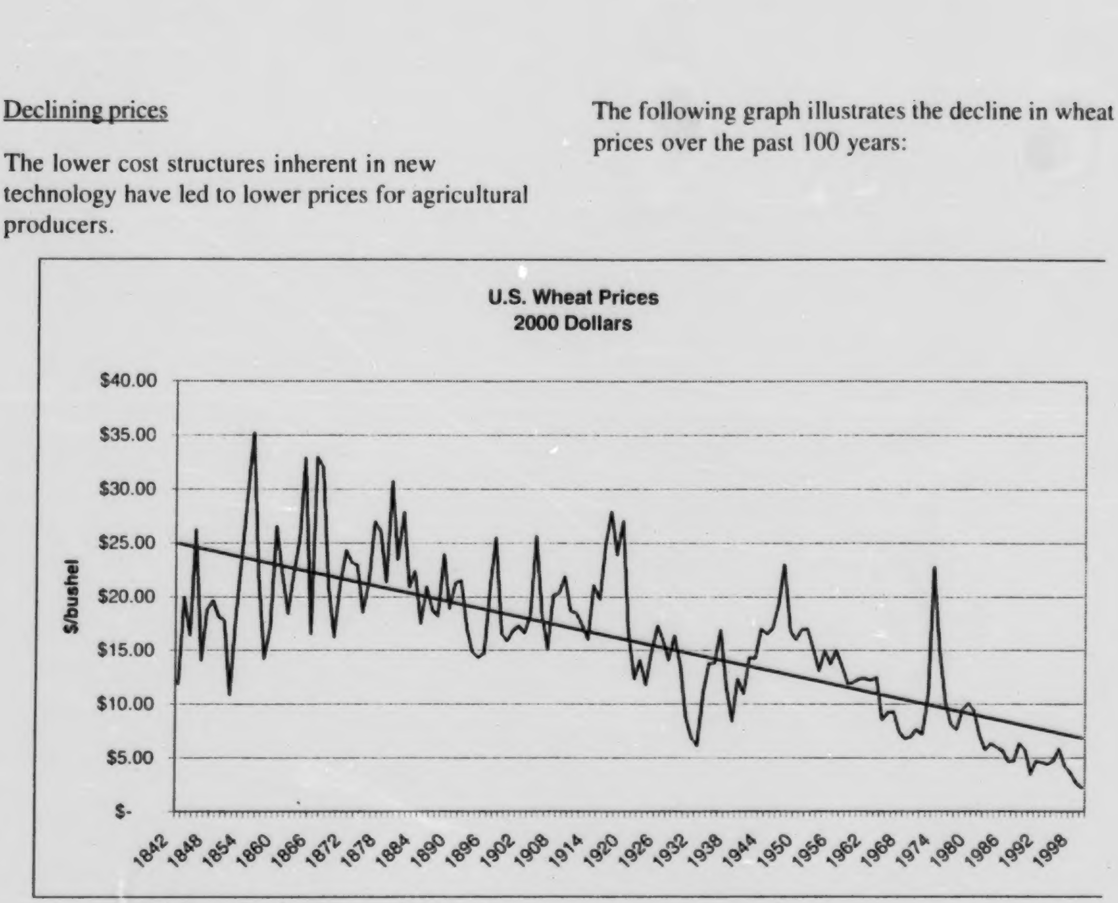


Source: Taxation Data Program of Statistics Canada

Declining prices

The lower cost structures inherent in new technology have led to lower prices for agricultural producers.

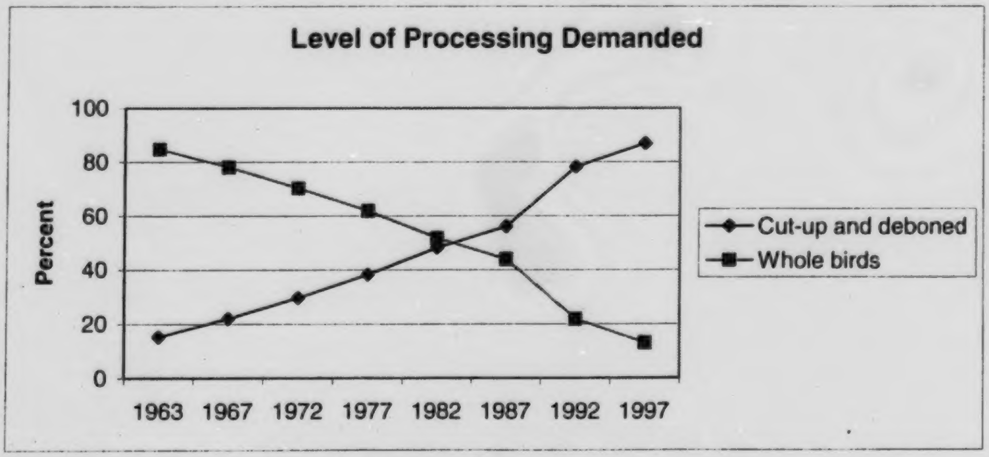
The following graph illustrates the decline in wheat prices over the past 100 years:



Source: USDA Farm Service Agency, 1998

Declining contribution of agriculture in food sales

Increasingly, food products are more highly processed before being sold to the end consumer (ready to eat foods). We have large numbers of farmers selling to a limited number of processors. Further, the separation of producers from the consumers may make it more difficult for producers to meet/understand consumers demands.



Source: Structural Changes in U.S. Chicken and Turkey Slaughter. Economic research Service, U.S. Department of Agriculture. Agricultural Economic Report N. 787.

Rationalized handling

The food handling business is increasingly concentrating suppliers and warehouses in a few locations. Processors wishing to supply the traditional high volume market have to have large capacity and to avoid transportation charges look to being close to the warehouse distribution points. With the concentration of facilities in a few locations, producers who would most likely participate in the small scale processing industry would have difficulty with accessibility to the high volume market.

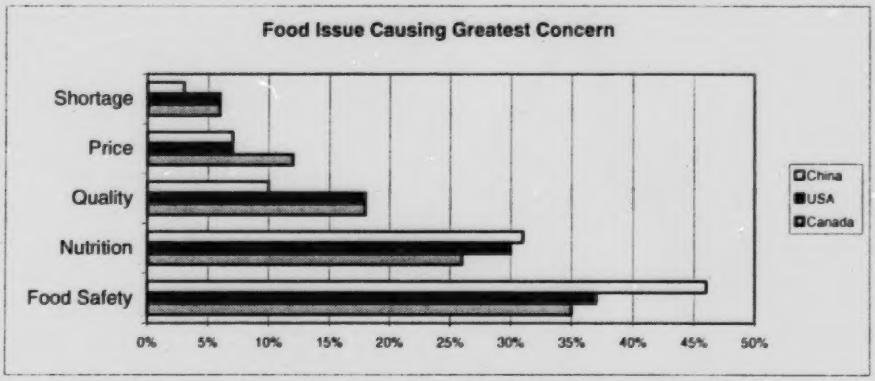
Food safety

Consumers in developed nations are demanding higher safety standards. Multinational food providers are placing higher quality standards on their suppliers than government because quality will sell to these consumers. Further, multinationals need to protect their reputation and a food safety issue would tarnish their reputation internationally. Identity preservation and trace ability will be key trends in the future.

One only has to look at the news to witness growing concerns over food safety. Reports on Foot and Mouth disease, Mad Cow disease, e-coli contamination and Chronic Wasting disease are increasing and this suggests a growing concern over food safety.

One good statistic is the number of food processing companies, which employ a Hazard Analysis Critical Control Points (HACCP) system. HACCP represents a new way of approaching the management of chemical, physical and biological hazards, which affect food production. When organizations implement a HACCP system, they are making a commitment to producing safe food. In Saskatchewan in 1999, there were 16 food processing companies, which had implemented a HACCP plan.

In 1999, the Canadian Food Inspection Association (CFIA) issued an industry communiqué to all federally inspected meat and poultry establishments that they were making HACCP mandatory. This move was made to aid in production/processing of safe food and to keep pace with the USA, who also issued a mandatory system shortly before.



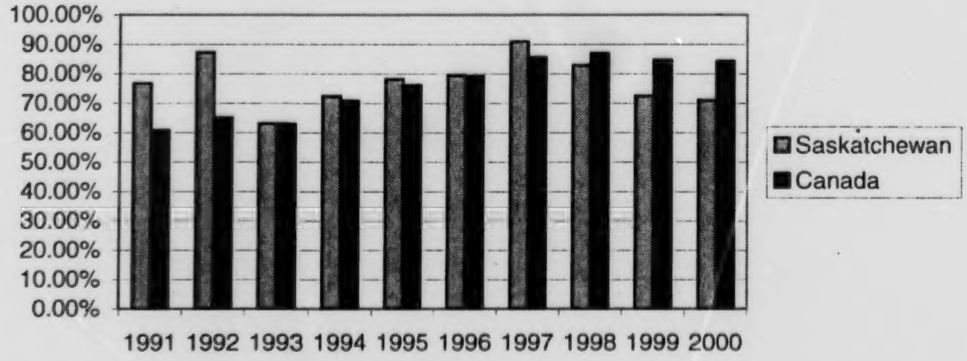
Source: Environics International. International Survey on Food Safety and Biotechnology. December, 1999.

Global environment

The new WTO agreement has essentially brought agriculture under the umbrella of world trade rules. This however, has not resolved many of the trade issues plaguing the industry.

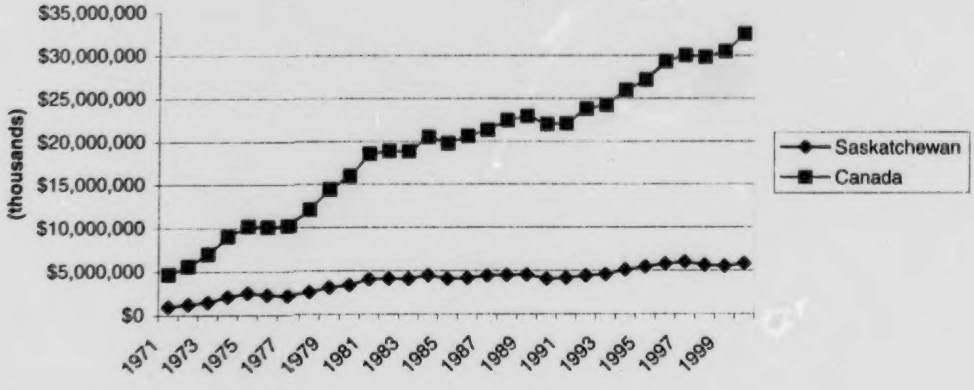
Agriculture has had to think of itself producing for a world market and facing competitors in a world market. Both are key points. The production of a niche world product represents a significant market opportunity. However, commodities must be priced so that they are competitive in international markets.

Agriculture and Food Exports as a Percentage of Farm Cash Receipts

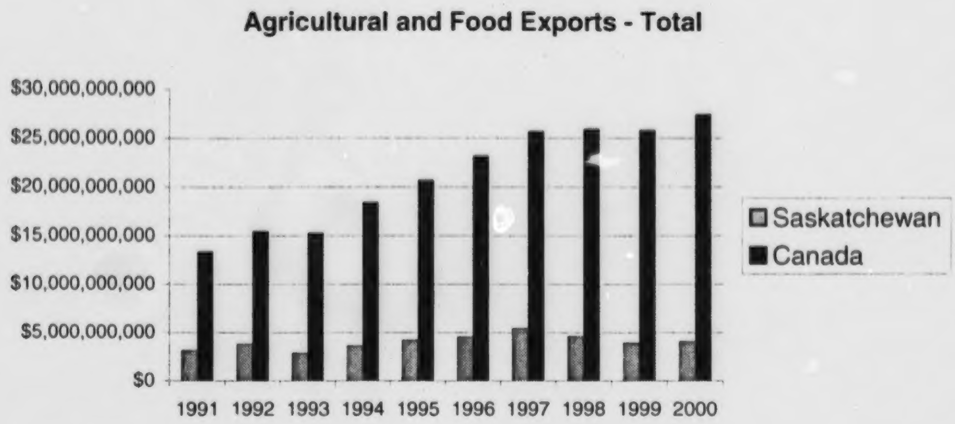


Source: Statistics Canada

Farm Cash Receipts



Source: Agriculture and Agri-Food Canada, Farm Income, Financial Conditions and Government Assistance, Data Book, March 2001.



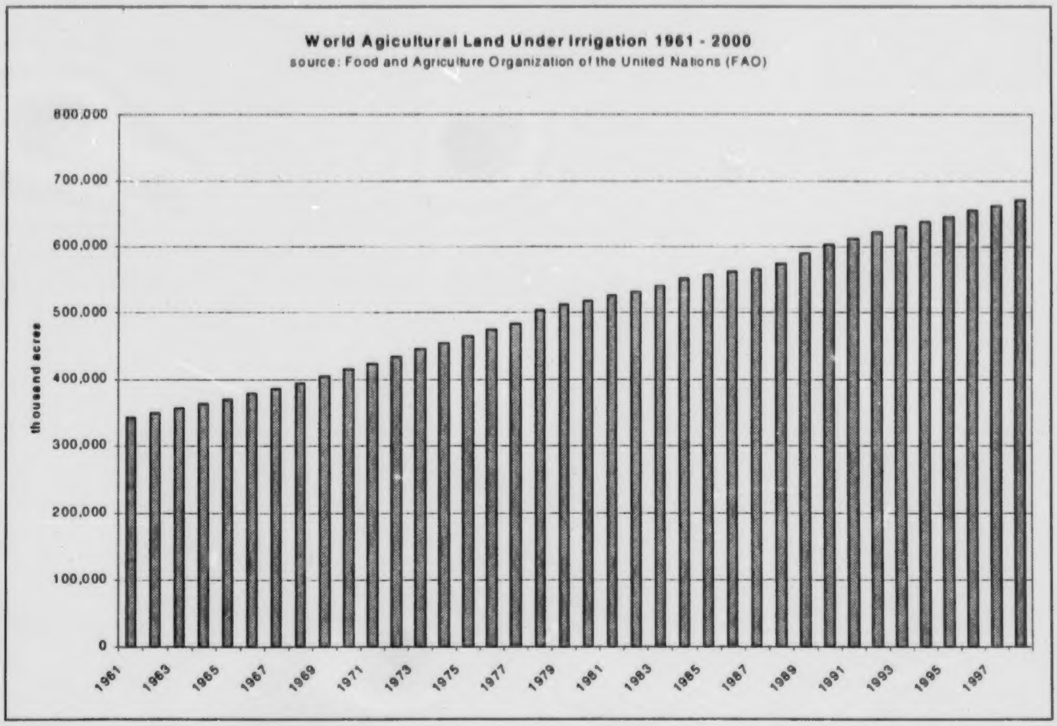
Source: Statistics Canada

Backlash to technology

Whether it is in the move to organic or the anti-GMO attitude in some countries, there would appear to be a trend to rising concerns about technology. This is being driven by a mistrust of government as both a regulator and proponent, the objectivity of science, a lack of scientifically-based consumer education and the use of biotechnology as a trade barrier.

Corporate concentration

In many service sector providers to agriculture there is a rising concentration of market power nationally and globally. Further, the concentration of power is moving vertically as well as horizontally - a grain company taking over a competitor or linking with a biotech company supplying producer's inputs. Both scenarios lead to a less competitive marketplace for producer. Ways to improve the market power of farmers is needed.



Water

In many of the key agricultural producing areas of the world, access to water as a necessary element of agricultural production is being limited by other uses. Further, extensive use of water has begun to reduce its availability.

Environmentalism

Environmentalists have generally not paid much attention to farming or to the practices of farming (beyond animal rights) as they have concentrated their efforts in other areas, such as the manufacturing, fishing and forestry sectors. This may change in the future.

In Saskatchewan, there are other examples of rising environmentalism. There are reports in the newspaper on potential problems with hog production around the province.

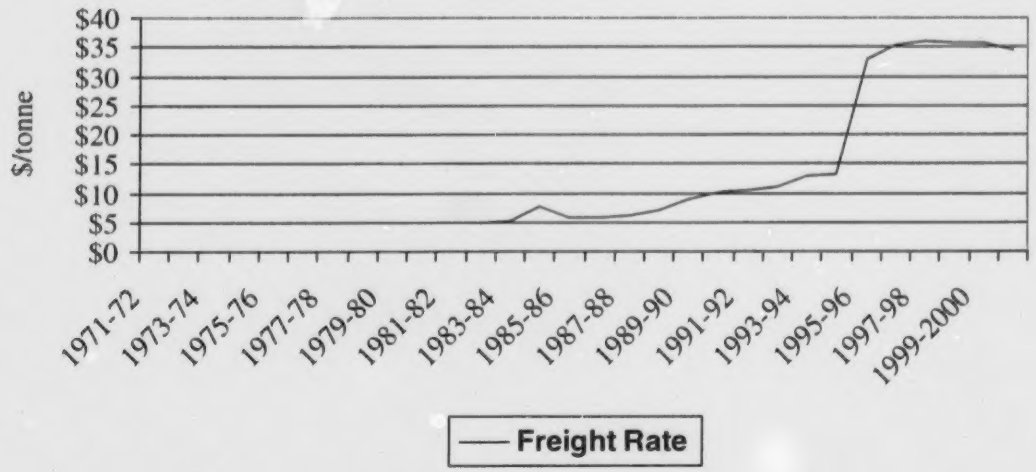
Saskatchewan specific trends

Transportation and handling

The end of the Crow changed the relationship between producing grain for export versus feed for livestock. The full adjustments to the loss of the transportation subsidy are only just starting to appear.

Transportation deregulation and other factors have led to significant transportation and grain handling consolidation. The full impact of these changes will lead to fundamental changes to the type of transportation infrastructure that is available to rural Saskatchewan. It will not be an option to keep all roads, at least in their current configuration. The trend, as shown in the following tables, is toward higher average hauling distances and fewer delivery points. The entire branch line system has shrunk from 13,900 km of branch lines in the 1970's, to approximately 9,900 km. today.

Saskatoon Freight - $/tonne Wheat



Source: Saskatchewan Agriculture and Food, StatFacts

Average Haul Distance (Grain Hauling)

1984	15km
1993	26km
1997	30km
*2000	38km
*2005	53km

* estimates only

Source: Parallel Process on Roads, Saskatchewan Road Impact Analysis 1999

Number of Delivery Points (As of August 1)

1984/85 crop year	1,045
1990/91	834
2000/2001	437

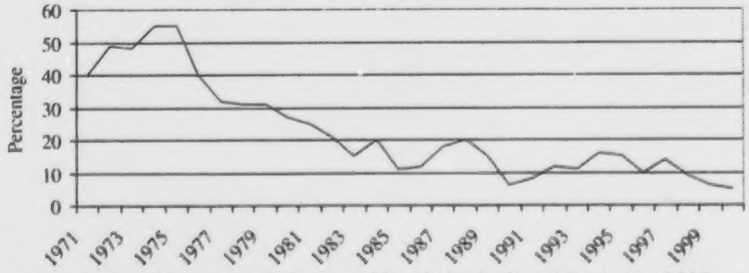
Source: Canadian Grain Commission Grain Elevators in Canada

The impact of higher freight and other operating cost is illustrated by the change in aggregate profitability of farming operations in Saskatchewan. Realized net income as a percentage of total cash receipts has eroded considerably from highs of 55 percent to the current 5.6 percent average.

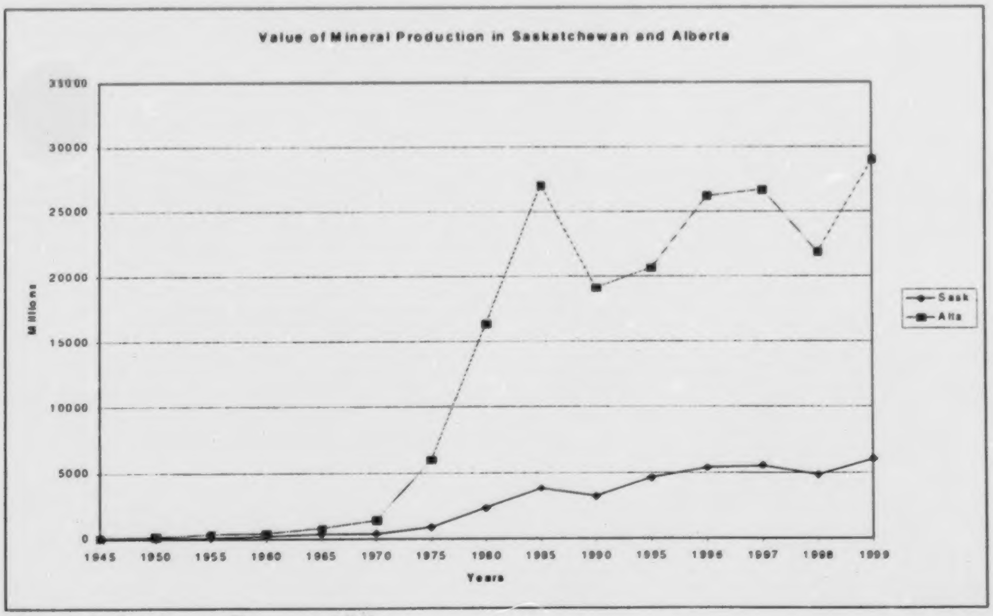
Energy and Mineral Development

The oil boom in Alberta, and the likelihood that high energy prices will continue, will mean that the divergence in wealth between Alberta and the rest of Canada will continue to widen Alberta's wealth will make it easier to attract labour resources from other jurisdictions and to create its own critical mass for economic activity. This will be a constant magnet pulling resources from Saskatchewan and will threaten many forms of economic growth that we may pursue.

Profit Margin of Farming Operations



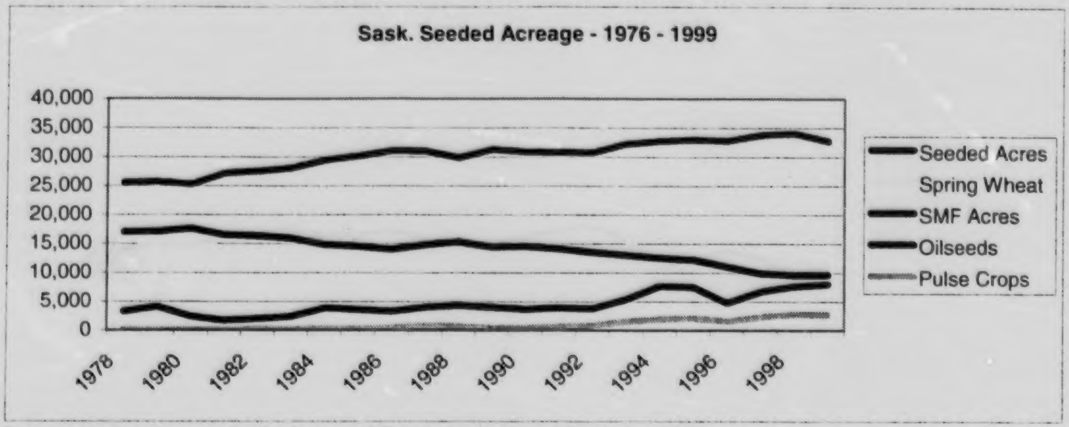
Source: Saskatchewan Agriculture and Food, Agricultural Statistics, 1999.



Source: Saskatchewan Energy and Mines

Changing Cropping Practices

The following chart tracks the usage of Saskatchewan agricultural land for the past 23 years. What sticks out is that total seeded acreage has steadily increased, but spring wheat and summer fallow acreage has steadily decreased. The loss in wheat and summer fallow acreage has been more than made up with increases in oilseed and pulse crop acreage as well as forages and land used for other specialty crops like herbs and spices.



Source: Saskatchewan Agriculture and Food, Agricultural Statistics 1999.

Impact on Saskatchewan Agriculture

Since the time of the settlement period, agriculture in Saskatchewan has focused on producing, bulk commodities for the world market. This type of agriculture has influenced the development of the province. For example, the transportation infrastructure from rails to roads has been developed to move grain off the farms to world markets. More importantly, this type of agriculture has had an important influence in shaping the views and beliefs of the people of the province. These views and beliefs have led to the development of a policy framework that has sought to maintain and enhance this type of agriculture.

As indicated by the trends outlined above, significant changes are underway which are likely to drastically change the economics of commodity agriculture. Since the mid 1970's, the margins (realized net farm income relative to gross income) from producing bulk commodities in Saskatchewan has declined from the 50% to 60% range to the range of 10%. It is likely that margins will remain or fall below 10% in the future. The decline in commodity prices explains only part of the reason for the decline in margins.

The decline in margins can also be attributed to the change in farming practices from a model where most farm inputs were sourced within the farm to a model where large amounts of inputs are now purchased off the farm. (The exception to this trend is the organic and the cow/calf sectors where producers still use mostly internal inputs.) For example, summer fallow, an internal farm input that provided fertilizer and weed control has been replaced in many areas by purchased fertilizer and chemicals.

Based on the trends and the economics of bulk commodity agriculture, it would appear that the future of agriculture in Saskatchewan, while still a major part of the provincial economy, will not provide sufficient wealth to ensure a vibrant rural Saskatchewan.

Opportunities for a new Agriculture in Saskatchewan

The underlying trends are changing the nature of agriculture and in some instances impacting negatively on the sector also offer opportunities for Saskatchewan. To take advantage of these opportunities, the mind set of Saskatchewan agriculture will have to change. The first change that we need is to come to the realization that producing bulk commodities for export leads us down the path where there will be a small number of large farms with very few people in rural Saskatchewan. Once we come to grips with this realization, we need to tailor our competitive advantages with opportunities that are arising from agricultural trends.

Saskatchewan's clean environment

One comparative advantage that Saskatchewan has been slow to exploit is to take advantage of the open spaces, low population density and the relatively clean environment. In a world where many consumers are concerned about food safety and how their food is produced, Saskatchewan is in a unique position to capitalized on these trends. Saskatchewan's relatively low use of chemicals and inorganic fertilizers compared to other parts of the world could be used as a competitive advantage.

Our relatively cheap land may lead to other opportunities that allow us to have a lower cost than some of our competitors. Market opportunities are growing in this area.

Agro or eco-tourism offers further potential for Saskatchewan. There are many people in the crowded cities of Asia and Europe who would find the open spaces of the prairies exhilarating and therefore an ideal vacation spot. The abundance of wildlife also offers attraction for many America hunters. The continuing decline in the real cost of air travel means that the travel industry will be a major growth area over the next twenty years. Saskatchewan needs to tap into this growth.

Niche markets

Niche markets offer potential opportunities for those producers who wish to diversify their production beyond traditional commodities. Niche marketing involves producers producing and marketing a product that has unique characteristics that sets it aside from its competitors. By tapping into specific markets (high quality, high price markets) producers are able to earn higher returns.

A key success factor in developing niche markets is the building of direct links to consumers. By consumers, we do not mean the local elevator or meat packer, but the end consumer. Historically, farmers in general have not had a real desire to link up with the direct consumer as he allowed others in the marketing chain to develop these links. In the bulk commodity business, building links to the consumer was not an issue, as the returns from selling a standard bulk commodity did not justify the expense of building consumer linkages.

However, in the niche marketing environment, the producer needs those direct links to find out customer needs and to directly inform consumers as to the unique qualities that the producer has to offer.

The organic industry is probably the best example of a successful niche marketing strategy. Producers have a unique product to offer and have developed direct links with end consumers. These linkages allow producers to collect market information relating to what is in demand, while allowing consumers to have the knowledge of how their food is produced.

Specialized Livestock

The game farming industry is growing and the global demand for game meats is increasing. The increasing trend towards consumers reducing the amount of fat in their diet has lead to increased interest in game meat. Chefs are also showing an increased interest in serving game meat as it offers an alternative to traditional meats.

The game farming industry in Canada is comprised of several hundred enterprises where elk, fallow deer, red deer, bison, and wild boar are managed under controlled conditions on individual farms and ranches.

The Canadian game farming industry has potential to develop into a global leader. The open and relatively clean land in Canada provides a strong competitive advantage for Canadian producers. This aspect is important as the demand for game meats in the world is strongly related to the production of natural and hormone free meat.

Non-traditional Dairy

More people in the world drink goat milk than cow milk, however, the opposite is the case in North America. Goat milk is similar nutritionally to cow milk, but contains smaller fat globules and as a consequence, is easier for some people to digest. As well, because of the smaller fat globules, goat milk does not require homogenization.

Currently, a large portion of goat milk sales takes place through the farm gate with producers selling directly to consumers. Saskatchewan Health regulations require all farm gate operations to hold a valid Category II milk license. This license permits the sale of the pasteurized fluid milk and restricts the volume to 100 litres of goat milk per day.

Opportunities also exist for producers to sell directly to a dairy processing plant with no quantity restrictions. Producers should be aware that he dairy goat industry is not subject to the same milk quota restrictions as the dairy cow industry. This allows producers to start or expand a dairy goat enterprise without having to purchase quota.

Meat Goat Production

More goat meat is eaten world wide than any other type of red meat, although very little of it is consumed in North America (Alberta Agriculture, 1994). However, as people continue to immigrate into North America from traditional goat consuming nations, the domestic demand for goat meat in these ethnic markets continues to increase. This ethnic demand for goat meat is derived from a number of social and religious traditions. As a result, there is a lot of seasonality in the demand for goat meat. Two of the main demand peaks occur in early spring and late fall, which coincide with the religious holidays of Ramadan and Eid. Demand for specific carcass sizes also varies within each market segment.

The four main size classes that are demanded are 30 lbs, 60 lbs, 90 lbs, and 150 lbs. (above weight classes are on a live weight basis). Prices can vary considerably between each market so it is important for producers to understand the markets they are targeting and tailor their production to meet these standards.

Sheep Production

High grain transportation costs, low grain/oilseed prices and an abundance of marginal land for conversion into forage is serving to promote the expansion of the livestock industry in Saskatchewan. Sheep offer an excellent diversification and value-added opportunity because:

- Low-cost entry (facilities and livestock)
- Short turn-around time on investment
- Complement cattle on rangeland

Sheep are proving to be very effective at weed control and offer an environmentally benign alternative to chemical control (leafy spurge, burdock). The PFRA Leafy Spurge project at Elbow is in its eighth year. Control of leafy spurge has increased the cattle-carrying capacity of the pasture by 200 cow/calf pairs.

Canadian sheep supply only about 50 percent of the domestic market providing room for increased production.

Many sheep producers feel that they are able to achieve higher returns on a per acre basis than with cattle.

The continued growth of the ethnic population in Canada and the USA provide increasing market opportunities for the sheep industry.

Red Meat Industry

The consumption of red meat in Canada increased by 22 percent from 1950 to 1999. On an individual basis, beef was the leader; its aggregate consumption by Canadians has increased by 42 percent since 1950.

The Canadian Meat Council, recently reported that red meat consumption rose from 58 kg per Canadian in 1997 to 64 kg in 1999, a welcome change in a trend that, in recent years, had flattened.

Weaver, speaking at the Canadian Meat Council's 80th annual conference in Quebec City, also pointed out that record levels of beef and pork exports were achieved in 1998 and '99. Cattle/beef exports in 1999 rose by more than 16 percent over the preceding year, and hog/pork exports rose by more than 18 percent.

Value-adding in the red meat sector has also increased: $0.7 billion in output and 2,000 jobs during 1996 and 1997; and $.9 billion in exports from 1996-99.

Unfortunately, most of Saskatchewan's beef processing is carried out in Alberta. As we get a larger supply of finished cattle, a large meat processing company may establish here.

Cattle Industry

Saskatchewan's natural advantage in the production of low-priced feed grains and forages favours the production and feeding of livestock. This conversion from grains to livestock is accelerating over the last few years and promises to continue in the future.

High transportation costs, low grain/oilseed prices and an abundance of marginal land, which can be converted from grain to grass, have put Saskatchewan in an ideal position to expand livestock production. It is expected that the cow-herd will significantly increase in the next 5 years

Backgrounding continues to bridge the gap between the cow/calf and feedlot sectors. There is considerable potential for growth in the province. Interest in this area is growing substantially with grass-fed cattle being a profitable area and an important part of sustainable agriculture.

Saskatchewan's feedlot sector is in the very early developmental stages and has great potential for growth. This offers the additional potential for partnerships that enhance rural communities and provide capital and infrastructure necessary for the expansion of this sector. It is expected that the feedlot sector will increase modestly over the next several years due to Saskatchewan's comparative advantages in feed and land prices.

Pork Industry

Saskatchewan has many natural advantages that make it positioned for a major expansion. With 45 percent of the arable farmland in Canada, Saskatchewan produces a significant amount of the cereal grains in Western Canada that are needed for feeding hogs. In 1999, Saskatchewan produced 13,839,500 tonnes of wheat and 4,942,300 tonnes of barley. This represented 55 percent of the wheat and 40 percent of the barley produced in Western Canada. In comparison, Saskatchewan produces about 13-14 percent of the hogs in Western Canada.

Current slaughtering capacity in Western Canada is about 8.5 million pigs per year or 164,000 pigs per week. With current planned expansions at the processing level over the next two to three years, slaughtering capacity in Western Canada could increase to 16.7 million head per year, or 321,500 per week.

Employment opportunities in Saskatchewan exist in production (hog facilities), the supply industry, and packing/processing industry. There is significant opportunity to revitalize rural Saskatchewan by both employing local people and bringing expertise from outside the province into rural communities.

In a global context, Saskatchewan and Western Canada is known for its pristine "natural" image. We have opportunities to capitalize on the increasing value put on the production of safe, high quality products.

Saskatchewan has a strong regulatory base that balances sound technical basis with public interest. We have an excellent foundation to build on as environmental regulation faces increasing scrutiny from the public.

Saskatchewan has a strong research and development focus both by government and industry. This includes a significant funding support as well as infrastructure such as the Prairie Swine Centre, PAMI (Prairie Agricultural Machinery Institute), VIDO (Veterinary Infectious Disease Organization), Western College of Veterinary Medicine, University of Saskatchewan and the Feed Resource Centre.

Cow calf and finishing

The cattle industry in Saskatchewan has generally played a subservient role to grain production. With the exception of ranches where cattle were often the only or main enterprise, cattle have been generally viewed as a secondary source of income for mixed farms and a non-existent option for grain farms. Within the policy arena, the livestock industry has always played a minor role in the development of agricultural policy.

Recent analysis suggests that there is a huge potential for the cow-calf industry in Saskatchewan. Traditionally, cattle have been relegated to marginal land with very little management during the grazing season. However, preliminary research suggests that intensive rotation grazing on high quality land may offer significantly higher returns than growing grain.

With changes in transportation policy, Saskatchewan (especially eastern Saskatchewan) has now become a low cost feed area relative to other jurisdictions such as Alberta. Economic theory would suggest that over time, the feeding industry should move from southern Alberta to eastern Saskatchewan. The increase in the cow herd would compliment this potential expansion of the feeding industry.

Non-Food Production

Non-food production opportunities include the production of ethanol from agricultural products or byproducts. There are significant benefits of using ethanol as a fuel additive, particularly as technological advances make ethanol cost competitive with gasoline on the open market. An ethanol industry would provide added economic support for the agricultural industry through increased demand for grain, grain cellulose products, and forestry by-products, materials which are used as feedstock for ethanol.

As well, the construction of ethanol plants would provide economic benefits for rural Saskatchewan.

Other non-food uses such as fibre board and fabrics present further opportunities for alternate markets.

High-valued crops

Compared to other jurisdictions, the average gross output per acre is very low in Saskatchewan. There needs to be a concerted effort to increase the gross per acre from $120 per acre range to several times this amount. With gross revenues of this magnitude, farmers would then be in a position to hire labour, thus providing employment opportunities in rural Saskatchewan.

To gross these kinds of dollars, producers must produce very high valued crops such as vegetables, berries etc. These crops generally need lots of water, thus irrigation is a must in a dry land climate like Saskatchewan.

The irrigation area around Lake Diefenbaker offers a huge potential for Saskatchewan to produce high value crops. Unfortunately, this area has been underdeveloped and farmers have generally concentrated on growing relatively low value crops.

Small Farms and Off-Farm Employment

The ability of small farms to earn a sufficient income from farming alone is not feasible given the current and likely future economic trends. Unless these farms can tap into growing very high valued crops, the only realistic alternative for them to remain in agriculture is to have access to off-farm employment opportunities or to develop on farm businesses in order to supplement their farm income.

In some areas of rural Saskatchewan, for example, areas around major cities and towns, around potash mines and oilfields, off-farm employment opportunities are available which allow farmers to remain on the farm. However, in many parts of rural Saskatchewan, there are few industries or large enough population centers to provide such opportunities.

While small farms only provide a small portion of farm production and are playing a diminishing role within the sector, they play a critical role in the economic development of rural Saskatchewan. First, they comprise an important component of the rural population base. Second, they provide a pool of labour for local industries and businesses.

As the economics of farming continue to work against the viability of small farms, it is important that these farms have the opportunity to access off-farm employment, preferably in their local areas.

New People, New Ideas, New Attitudes

The transition to new crops, new markets and new strategies requires new skills, capital, information and a willingness to change.

Given this situation, it will be necessary to consider all options to enable existing producers to change their management practices and to attract the right people with the right skills to lead change. Recent news stories indicate that many European farmers, (who are facing restrictions on their farming operations), are looking at Saskatchewan and the prairie region as an opportunity to relocate their farming operations.

RECOMMENDATIONS

Foreward

In the sections that follow, there is a series of recommendations that will promote an evolution in the province towards more agricultural diversification, and more small and large scale processing. As per the mandate of ACRE, the cornerstone of rural revitalization in Saskatchewan must be sustainability. Sustainable primary agriculture in Saskatchewan will create: best-case harmony between food production and the wider environment, rural communities that are in harmony with their working environments, and labor standards and working conditions that will be attractive to those looking for long term employment and a place to raise a family. In order to manage change and retake control of our economy, the people of Saskatchewan will need to review their skills, attitudes and beliefs.

Before we can reshape agriculture and our rural economy we have to really want to make the changes. Are we prepared to move on from the economy that our parents and we knew? We need to want new developments and be prepared to pay some price or take some risk for the change. We must recognize that all people will have a different acceptance of whether development is worth the risk - to be successful we must find a way to reach a consensus on which we agree and be prepared to work toward a common goal. Only then can leaders articulate and sell this vision.

Once a consensus has emerged, the next step that we need to follow is to prepare ourselves for the task at hand. The challenges on this front are many. Do we have the entrepreneurial skills? Do we have leaders or public and private institutional structures necessary for development? Do we believe that we can be a success? Will we accept success by others?

The issues that affect rural Saskatchewan require the above to be resolved and are beyond the mandate of the Agriculture Sub-Committee and should be discussed by the full committee. The recommendations that follow are essential to long term prosperity but they must be implemented in tandem with a reshaping of the views and attitudes of our people if we are to enjoy success. There are no magic wands to fix our issues.

Many key policy and taxation issues are not specifically dealt with, but this does not mean that government should ignore them. Undoubtedly, implementation of the key directions will require numerous additional changes to policy, regulation and taxation.

Further there are no specific recommendations dealing exclusively with the issues facing the traditional grain economy, although many of the recommendations would be of significant value to the sector. In part, this is because safety net recommendations fall outside of ACRE's area of responsibility although clearly it is understood that a positive future for this sector, based on returns from the marketplace is fundamental to Saskatchewan agriculture. New market niches for specific end use markets, processing and value adding to product here and constant improvements in producer efficiency all create the potential to enhance profitability and must be pursued. However, developing recommendations that would lead the evolution of this sector could be the subject of a major report alone.

Competitive Business Environment:

Agriculture operates in a global economy and must have a competitive business climate. Key elements are taxation levels, efficiency of regulation, supports for investment and development of effective risk management options, cost of living, and support for the environment. It is recommended the Government conduct a comprehensive review to assess our competitiveness in these areas. It is further recommended that the Government provide the support necessary to have industry wide policies and practices to enhance the industry's competitiveness through food safety and sound environmental practices.

The world economy is increasingly becoming linked. Reliance on trade is increasing. Agriculture requires a competitive business climate.

In general, the province needs to ensure that the business climate facing agriculture is competitive with other jurisdictions and that we have a level playing field. Taxation levels, the education tax in general and the corporate capital tax for the emerging larger operations are key issues. In addition, the government needs to ensure that sufficient funding is being employed to maintain our leadership role in production innovation. This can be accomplished by investing in priority research.

Development of a Feeding Industry

It is recommended that the province move forward on the development of a feeding industry to complement the grains and oilseeds sector. Efforts to get the people of Saskatchewan to embrace this transformation must be increased. In this regard, the citizens of the province need to feel that their health and the environment in general is protected. In addition, the government needs to take measures to ensure that impediments to this transformation including; financing, regulatory impediments, environmental sensitivity and leadership be addressed.

The loss of the Crow has unleashed dramatic pressure for change on Saskatchewan agriculture. The economics of producing grain for export versus the development of a feeding industry have fundamentally, permanently changed in Saskatchewan. This is especially true for areas along the eastern edge of the province and along areas not served by a major rail line. Expansion in a primary feeding industry and initial processing of these products create opportunities that could revitalize rural Saskatchewan. The people of Saskatchewan should take the dramatic measures necessary to realize this opportunity.

The Government of Saskatchewan should **ensure that financing for intensive livestock (pork, beef and supply managed) is available** for primary producers who wish to pursue the opportunities that are available. This is a particular problem for Saskatchewan's intensive livestock sector because we have few established companies with the proven track record to access traditional sources of expansion capital. **Opportunities to finance world-scale livestock breeding operations or viable feeding operations, not categorized as an intensive livestock operation, must also be examined.**

It is also recommended that the government develop an option that would allow self-directed RRSP contributions to be used in support of local operations. It is recognized that federal government support and participation in financing issues will be essential as will increased promotion of financing options that already exist (Labour Sponsored Venture Capital).

The limited number of existing players in the intensive livestock area has also led to **limited experienced management** to initiate and operate new projects. It is **recommended that government take efforts to promote leadership, entrepreneurship development and recruitment.**

Proponents, especially first time proponents, have noted difficulty and delays in gaining all permits and approvals to get projects off the ground. **It is recommended that government investigate new approaches to get projects off the ground with less unnecessary delays and expenses for proponents. Complementary efforts with local governments to develop consistent, transparent criteria for project approval will also be required.**

Many proponents speak of the complexity of regulations for first time users and comment that a second project would be much easier with what they have learned. **A study should be commissioned to interview ILO proponents who have successfully completed their projects so that they can identify, in practical terms, the steps that were necessary for the completion of their projects and the kind of issues that they encountered.**

Saskatchewan should become a world leader in protecting the larger environment vis-a-vis livestock production. Accepted practices need to be monitored and enforced so that people living in or preparing to move to Saskatchewan feel that the Government is protecting their health and safety.

Expansion of cow calf production would be an important element in the expansion of the feedlot sector. Programming such as the expansion of permanent cover would facilitate acreage moving from grain production to forage/pasture. **An expansion of permanent cover programming is recommended. In addition, extension efforts to insure producers have access to the most up to date forage management plans will be essential.**

One essential element to a viable feed lot industry or hog production sector is proximity to meat processing as live haul transportation is a key cost factor. **The Government should work with private sector partners to develop increased meat processing in the province. These efforts would include assessing impediments that restricts meat plants from gaining an inspection status that would enhance market access opportunities (currently only federally inspected plants can ship out of province).** World-class processing facilities within 150 miles are a key driver behind successful production of livestock.

For many sectors, especially supply managed, the advantage that Saskatchewan enjoys in feed ingredient supply is not translated into a processed feed advantage. **The government should work with industry to explore integrated production units where economics encourage a critical mass.**

In recognition of the changing views (and a MacDonald's news report) **a study should be commissioned to examine the opportunities for products such as ethical and environmentally sensitive production.** While it is unclear the extent to which demand for these types of products will materialize, it is possible that Saskatchewan would have a true advantage in their production.

Government should also consider the establishment of a feed processing facility that can research and demonstrate the processing, combining of constituents and evaluating all manner of feedstocks for livestock.

Development of many feeding enterprises requires availability of many types of infrastructure. The availability of this infrastructure is often not sufficient and it is expensive to make generally available. **The government should be an advocate and provide incentives for the development of "infrastructure corridors" where various intensive agricultural operations could gain the benefits of faster and cheaper hookups to infrastructure (gas, electricity, communications, water, and transportation) that have been placed along the most logical common track.**

It is essential that the mandate of the utility crowns be clear that they are to provide service at government's prescribed profit levels and that they operate on business principles. Users of their services and government must then be able to hold them accountable for their performance. For many of the utilities, this is a prerequisite to prepare for impending competition. Their accountability should not be clouded by the pursuit of other public policy objectives in the delivery of these services. **The government should make transparent decisions on the public policy objectives of the Crowns in an open public discussion (examples of public policy objectives include cross subsidies for utility rates and service/access standards) and be prepared to fund these decisions appropriately.** This would provide the public with greater access to discuss the appropriate public policy objectives to be pursued. For example, **the province should make available direct support to the utilities to keep rates and hook up charges in rural Saskatchewan competitive with urban areas.** This would allow the "cross subsidies" identified with rural delivery of many services to be eliminated without harming agricultural producers.

Organic Production - Saskatchewan's Niche?

The organic sector appears to hold much promise for this province and it is recommended that it be pursued. It is recommended that the Government of Saskatchewan ensure a broad based organic strategy is developed to take advantage of this opportunity and to assist in the establishment of a national accreditation system. It is expected that organic industry leadership will drive this strategy.

Saskatchewan has wide-open spaces and a dry land climate that responds less to inputs than many other regions of the world (lack of moisture restricts the benefits of fertilizer use and cold winters reduce many insect pests). This creates an ideal competitive advantage for organic production. An organic strategy should deal with the following:

- need for a common standard that will ensure market access into key global markets
- expansion of organic feed and animal production
- processing of organic production. As a niche product, it is likely that processing will be better suited to the type of processing capacity that Saskatchewan can realistically provide (i.e. marketing organic niche products would not be as dependent on traditional warehousing/ wholesaling structures).
- review (with recommendations) on the transportation and handling requirements of the organic and processed organic sector
- consider actions to ensure organic production can coexist with GMO production. This could be one project undertaken by "The" Center for Sustainable Development.

Irrigation

Irrigation opens new areas for diversified agricultural growth. It is recommended that the Government of Saskatchewan adopt an aggressive policy towards expanded utilization of the current irrigation system and further development.

The total acreage in Saskatchewan under irrigation should be increased. This would include new infrastructure at existing sites and modernization of some of the existing infrastructure. This would include expansion at Outlook and a close assessment of the potential at other sites, including Rafferty and other basins along the Saskatchewan River. New forms of small-scale irrigation, which utilize smaller bodies of water, should be considered.

Immigration could be utilized to bring producers into the province that have experience in growing products that take full advantage of irrigation opportunities.

Processing of horticulture crops could be encouraged to enhance the viability of irrigation production.

The linkage between irrigation and ILO's in other provinces leads to the need for an examination of why the livestock industry underutilizes irrigated areas in Saskatchewan.

An active push to establish New Generation Cooperatives (or other appropriate structures) to process horticulture crops could be considered in conjunction with the development of an irrigation-based food processing park.

Supply Managed Sector

A key element of the feeding industry across Canada is the supply-managed sector (poultry and dairy) representing 1/3 of the feed grains used. The sector accounts for about 20% of Canadian agricultural receipts and is among the most profitable sectors of agriculture. The Government of Saskatchewan should develop and implement a growth strategy that will allow supply-managed production to grow to 5% of our cash receipts by 2004.

Currently in Saskatchewan supply-management accounts for only about 3% of our cash receipts. The supply-managed industry represents a significant opportunity to profitably expand our feeding industry now that the Crow has changed. However, unlike other elements of the feeding industry, expansion is governed by quota and central Canadian provinces, in particular, are unwilling to allow growth to occur in Saskatchewan.

Niche and Emerging Products

It is recommended that as government develops programming and regulations that it build in sufficient flexibility to allow for the unique needs of niche products and emerging sectors. Leadership in gathering the early initiators to discuss a common strategy would reduce the duplication of effort. Educational support and extension information could enhance uptake of the new opportunity. Nesting of some industries with respect to processing, production and marketing could apply.

No government and no individual will be able to pick all of the winning sectors that will lead to future opportunities. For this reason, there needs to be flexibility in programming to ensure that good ideas are not cut off from support and ignored in the priority setting process. However, the greatest single factor behind the success of these emerging opportunities will be the skills of the individuals and groups involved.

During consultations, numerous emerging industries spoke of the unique needs that they have of government. These industries include; greenhouses, **tourism, wind farms, horses for recreational use and work, specialized livestock and their products, nutraceuticals, etc. Many of their general needs will be captured in other recommendations but still others need to be assessed in greater detail with the promise that flexibility and a willingness to participate in the unknown will enhance success.**

Specific recommendations to address the unique needs of these emerging opportunities include:

- **The Government of Saskatchewan should ensure that small organizations have the financial capacity to provide educational material on implementing new opportunities. Further, the Government should ensure that it has the extension capacity to provide producers with information on these emerging areas.**

- **Orchards of small fruits are being developed in isolation despite the fact that volumes are required to establish processing and marketing.**

- **One of the problems identified for the development of farm-based tourism are high insurance premiums. A useful move would be to pull the insurance industry together and give them an opportunity to respond, and failing a satisfactory result, examine alternative ways of group insurance.**

- **The heavy horse and recreational horse industries are depending on the myths of the past to sustain their qualities. There could be a useful effort made to redevelop standards for horse use and display, and people trained to maintain them. Saskatchewan could become a major center for heavy horse culture and the spin off benefits.**

- **The possibility of co-generation of energy from ILO wastes should be examined.**

- **The technology of large wind farms is suggested as approaching in cost other sources of electricity. The technology of small individual farms with wind-electric units has been allowed to decline. Both areas deserve careful investigation.**

- **The processing of meat from specialized livestock, particularly bison and elk is stumbling because of lack of aggressive marketing and an adequate local processor. Such a Saskatchewan plant would be desirable.**

- **Efforts should be made to increase the production and utilization of ethanol.**

- **Initiatives that would promote and develop the non-food use of agricultural production should be expanded.**

Transportation and Logistics

It is recommended that the Government of Saskatchewan work to develop the transportation infrastructure that will be necessary for the emerging economy. Key elements will include linking Saskatchewan with emerging distribution hubs and linking our major centers. Key principles to be followed include competitiveness and efficiency. Overall, the government must be prepared to invest more money in transportation.

A competitive marketplace is generally acknowledged as being best able to create new products and innovative solutions to problems. If rural Saskatchewan is going to be successful new approaches to meeting transportation and logistics needs must be found. For the trucking industry, the competitive element is significant. However, for the rail sector a greater focus on competition is needed. One option that has been broadly discussed to enhance rail competition is open access. **It is recommended that the Government of Saskatchewan strongly lobby the federal government to create open access for rail infrastructure to enhance competition in the rail sector and lead to benefits for producers.**

One key area where innovative transportation solutions will be required is to meet the needs for food safety and quality of food products around the world. Our transportation system will need to provide identity preservation and traceability for our products. Our ability to be competitive on the world stage will be directly related to how competitive these services are relative to those provided in other countries. While the recommendations that follow may also apply to value added, this linkage also affects primary agriculture to the extent that producers can receive better prices for their products and that it will affect potential returns if they become vertically integrated investors in value added processing.

The Government should explore the economic feasibility to construct a world scale container port. Access to both major rail routes to the US, which are the likely source of containers in the longer term is a consideration. As well, proximity to the special crop-processing sector, which would be a major user of containers, would also be key. Enhanced rail competition would open up new possibilities regarding the possible construction of a new container port (currently container ports are owned by the railways).

Trucking expansion is likely to occur as a way to move our freight to large distribution centers serving whole regions of the continent. The long-term development of four lane highway corridors will be essential to the Minneapolis and Calgary markets for example. Currently, Saskatoon has no effective four-lane highway access to Calgary. Calgary is emerging as the wholesaling center of western Canada. **It is recommended that a study be commissioned to examine the necessity of improving transportation ties to Calgary as a prerequisite step to any viable, world scale processing growth.**

The government needs to ensure that a key network of quality highways connects the major rural centers with the transportation/service city hubs. The public pressures will be for the government to focus on addressing the fallout from the grain handling transformation, however, **it is recommended the government also consider the emerging economy as it conducts its transportation planning. For example, the development of key north south road corridors will be essential if Saskatchewan is to take advantage of emerging opportunities resulting from NAFTA.**

It is recommended that the Government of Saskatchewan actively pursue increased air access to major business and resource hubs to meet the needs of business travelers.

Overall, the governments must make significant investments in transportation needs.

The farm population has been declining in Saskatchewan since the late 1930's. However, the total miles of road to provide main access has been maintained to a greater degree because the remaining population has not been channeled along key corridors as much as would have been if efficient delivery of services had been the only consideration. **It is recommended that government consider a program that would provide property tax credits to new construction along locally identified transportation routes for those producers who wish and are able to locate new buildings along these key corridors.** In the longer term, this could reduce maintenance costs on the road system and ensure better access to services.

Maintaining Critical Mass

Creating a more prosperous agricultural economy is a key first step. However, to be sustainable rural Saskatchewan requires the maintenance of a critical mass of people in the rural area. It is recommended that agricultural policy identify the lead role that agriculture can play in maintaining a rural population base.

Primary production in rural Saskatchewan is integrally tied to a vibrant economy that provides the socioeconomic environment in which people wish to live. For years, parents have watched and often encouraged their children to leave the farm. For many, the view was that agriculture had little future. While this trend is perplexing, it is giving rise to a more fundamental challenge for rural Saskatchewan. Few people wish to farm if their children have two-hour school bus rides and members of the entire family have limited opportunity for cultural/sports experiences. This is the case, regardless, of how profitable agriculture can become on their individual farm. For this reason, agricultural policy must consider measures not only to make agriculture more profitable but to ensure that a critical mass of population is maintained. Global examples exist where rural economies are vibrant but they are typically based on part time farms and niche agriculture in tandem with world scale production of commodities.

Agricultural policy should promote part time farms, not because of their contribution to agricultural revenue but because of their contribution to maintaining a rural population base. **It is recommended that both levels of government conduct a review of their policies to determine whether measures can be taken which would support part time farms.**

Commercial producers need to be encouraged to enter the industry. One approach to be considered would be to try and match individuals who wish to retire with new entrants to the industry. The concept would be based at least partially on providing the new entrant with some of the experience of the retiring producer. **It is recommended that Government create, manage and advertise two registers that would link producers wishing to retire with those wishing to enter the industry. These new entrants would have available financial bridging support from government.**

The need to maintain our rural youth cannot be overstated. **It is recommended that government adopt a multipart strategy:**

- **First, students who return and stay on the farm after successful completion of a post secondary course related to agriculture could have all or a portion of their tuition forgiven.** This would work to retain these individuals while at the same time ensure that they receive the education necessary to operate a modern farm business.
- **Second, government could provide concessionary financing to new entrants (low interest loans, interest rebates etc) which would be designed to minimize capitalization of benefits.**
- **Third, programming should be provided that would provide new entrants with a wider range of management/ marketing assistance until they have developed individual expertise.**

Intergenerational transfer of farms contains a number of additional considerations beyond those for new entrants. For example, retiring parents need to have timely access to sufficient capital to retire and need to be confident that the risk of future financial difficulty of the farm will not jeopardize their retirement. Programming needs to be developed to address the specific issues of this group.

Finally it is recommended that courses be expanded at SIAST to train workers for the emerging agricultural opportunities by 2002. These courses should focus on rural high school students and have a strong work term element and utilize distance education as much as possible. Once children are uprooted from their communities to attend further education, it is likely that they are predisposed never to return to their rural community as they develop new friends and relationships in outside locations. Expanding educational opportunities, so that youth do not leave their community, could enhance retention of rural Saskatchewan's most valuable resource, our children. **Programming at the Universities should also contemplate whether the above principles could be incorporated into their course offerings.**

The government should make a concerted effort to attract immigrant farmers and farm workers to rural Saskatchewan. This should be accomplished by focusing immigration efforts at rural areas of target countries.

An overall target should be for the province to have 1.2 million people in 10 years, with 500 thousand people in Regina/Saskatoon and 700 thousand people in the remaining parts of the province. Most of the growth is expected in the larger rural centers. Population growth will be necessary to maintain the critical mass of services that efficient agriculture relies upon. **To achieve the rural population growth objectives, it is recommended that strategies focused on retention of rural**

residents, encouragement for inter-provincial in-migration, international immigration and support for families be considered as elements in this plan.

Ensuring the Aboriginal population base in rural Saskatchewan has good job opportunities is essential if we are to ensure that we maintain this growing element of our population. Further efforts need to be pursued to increase Aboriginal participation in agriculture.

Many rural businesses are in competition with similar businesses in urban Saskatchewan and often both will compete for access to same labour and capital resources. **ACRE supports government giving full consideration to the public policy benefit associated with rural economic development when targeted support is provided.**

A high profile investment attraction campaign aimed at producers in other provinces and countries should be developed for the hog and beef sectors. A similar campaign to attract supply-managed producers would be appropriate if the government is committed to expansion in the supply-managed sector.

The Government should encourage producers to use all tools and organizational structures that allow them to work together cooperatively.

Many producers will need assistance growing their marketing skills to take advantage of the export market. Government should work to expand the export development insurance that is available to producers.

Appendix 1 ACRE Agriculture Sector Members

(Chair) Red Williams, President, Saskatchewan Agrivision
Miles Anderson, Past President, Saskatchewan Livestock Association
Nikki Gerrard, Saskatchewan Department of Health
Keith Lewis, Director, Western Canadian Wheat Growers Association
Florian Possberg, CEO, Big Sky
Thad Trefiak, Vice-President, Saskatchewan Wheat Pool

Resource Personnel:
Mitch Demyen, Sask Ag & Food, Industry Development
Travis Sulewski, Sask Ag & Food, Policy and Program Development

Appendix 2 ACRE Hearing Presenters

March 26, 2001, Bella Vista Hotel, Humboldt
Don Hovedebo, Family Farm Foundation
Ray Bauml, Organic Crop Improvement Association
Gilbert Leray, Saskatchewan Greenhouse Growers Association
Terry Youzwa, United Grain Growers
Josh Storey, Independent
Curt Hagle, Saskatchewan Veterinary Medical Association
Dianne Moebis, Saskatchewan Seed Growers Association

March 27, 2001, Heritage Inn, Moose Jaw
Rhonda Lamb/Dora Mushka, L.A. Fibres
Harvey MacFarlane, Independent
Wayne Gosselin, Sask Ag & Food, Conservation Cover Program

Appendix 3 Make-up of Written Submissions to ACRE

- 61 written submissions in total.
- 38 with comments applicable to agriculture
- 34 comments came from individuals.
- 4 comments came from organizations.

ACTION COMMITTEE ON THE RURAL ECONOMY

Agri-Value Subcommittee Report

May 2001

Brad Wildeman (Chair)
John Beckton
Joan Chase
Bert Harman
Hugh Wagner
Brian Weedon
Grace Wittington
Jerry Wurtz

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INTRODUCTION

One of the fastest growing sectors in the global agriculture industry is the agri-value sector. And nowhere is this growth more evident than in Saskatchewan. Throughout much of the 1990's, "Saskatchewan's food processing industry (led) the nation in overall growth..."[1] Statistics show that our food processing industry grew at an incredible 32% from 1993 to 1996. This trend is expected to continue. Consumer incomes continue to grow, and with that comes increased demand for processed foods.

But processing growth in Saskatchewan is not limited to food. The non-food processing industry is also growing, albeit at lower levels. With our abundant raw materials, many feel that non-food processing of agri-fibre, ethanol and functional foods/nutraceuticals provides a greater growth opportunity for Saskatchewan. For instance, it is known that global pressure on wood fibre continues to grow. "...In 1960, the per capita forest area was 1.17 ha; by the year 2010, it will have dropped to 0.47 ha."[2] Logically, industries that depend on wood products will need to find alternative sources like grain straw.

There are many reasons for this growth, including new technology, increased consumer buying power, global trade and economics. While some may argue that processed food and non-food products is a trend or fad, most agree that the growth will be sustained for the long term and that it is not a trend but a new reality in the global marketplace.

Our province will always have a large primary agriculture sector. As this sector continues to struggle against globalization, it is increasingly important to involve primary producers and rural communities in the value chain. Primary agriculture forms the backbone for many value-added businesses, and without a healthy primary sector, the entire agri-food industry will struggle.

In Saskatchewan, we are presented with a great opportunity to process our raw product. Our natural and geographic advantages provide this province with an abundant supply of relatively inexpensive raw materials, low cost land and competitive utility rates. But there are issues such as transportation and cost of distribution that challenge our agri-value industry. There are also challenges like taxation, labour/human resources and infrastructure that inhibit a potential boom in our processing sector.

The following document will put forward several recommendations designed to facilitate growth in Saskatchewan's value-added sector. These recommendations were developed after consultations with current and potential agri-businesses and others that have first hand experience of the policy, regulatory and demographic issues that enhance or inhibit our processing industry.

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[1] Canada West Foundation Study, 1997

[2] United Nations FAO, 1998

RECOMMENDATION SUMMARY

(* Recommendations that are bold and marked with an asterisk are high priority for the agri-value committee).

I. Leadership

a) That the provincial government develop a recognized program that provides people with the opportunity to build their entrepreneurial, leadership and management skills in the agri-value sector.

b) That all provincial government leaders emulate a desire towards growth and economic development in Saskatchewan.

c) The Saskatchewan government utilize existing resources to establish a "Venture Management" initiative that would match experienced managers with new or expanding agri-business. This initiative would accelerate development, reduce the number of projects that fail and retain/develop management and leadership skills in the province.

II. Taxation

a) Targeted tax relief or research grants for companies, cooperatives and/or non-government organizations that commercialize research leading to investment and employment in Saskatchewan.

b) It is recommended that the government explore the adoption of a "Saskatchewan Value-Added Tax Credit" within the next year.

c) It is recommended that the Corporate Capital Tax be changed so that the exemption threshold is increased or that the tax is based on profitability.

d) It is further recommended that ACRE form a sub-committee to deal specifically with taxation and the impacts on rural economic development.

III. Capital & Investment

a) That the provincial government establish a source of patient, affordable capital specifically for Saskatchewan based agri-business ventures.

b) That the government establish a fund that would enable equity investment into new or expanded agri-business by smaller groups of interested investors in local communities.

c) That Saskatchewan Agriculture and Food develop and lead an Agribusiness Investment Strategy. This strategy would identify an "investment team" that actively co-ordinates and pursues attracting entrepreneurs, agri-business partners and capital into the province in targeted sectors.

d) That the Saskatchewan Securities Commission increases the threshold for exemptions for agri-businesses from $1 million to $5 million.

IV. Infrastructure

a) It is recommended that the government co-ordinate a stakeholder evaluation of the viability of creating a "Food Park" in support of the food processing industry. This evaluation would identify the capacity that is currently available to support a developing food processing industry.

b) It is recommended that highway corridors based on access to centres of trade be established by the government of Saskatchewan as a fundamental element of building a strong processing industry.

c) It is recommended that the Government of Saskatchewan actively pursue increased air access to Regina and Saskatoon to meet the needs of business travellers.

d) It is recommended that the Government of Saskatchewan lobby the federal government to create open access on the rail infrastructure to enhance competition.

e) That the provincial government explore the economic feasibility of constructing a world scale container port.

f) That the Rural Revitalization Office lead a project to develop and maintain a comprehensive catalogue of provincial resources by 2003 in support of provincial economic development.

V. Labour

a) It is recommended that the Saskatchewan government, organized labour and industry enter into a review/dialogue to establish the measures necessary to create a positive, competitive and progressive labour environment. Included, as a specific objective is a fair, equitable and effective workers compensation program in Saskatchewan.

b) It is recommended that the ACRE round table on labour investigate ways to work co-operatively with First nation and Metis people to increase their employment opportunities in rural Saskatchewan.

VI. Regulatory

a) That SAF work with government and industry stakeholders to develop a streamlined provincial approval process to facilitate the development of agri-business enterprises. This would effectively provide a high-level policy harmonization in Saskatchewan.

b) That SAF undertake a proactive Intensive Livestock Operation (ILO) site development process. Working in partnership with local communities interested in economic development, SAF would attain all of the regulatory approvals needed to develop an ILO. Once complete, SAF would turn the approved site over to the community so they can market it to ILO proponents.

c) The Governments of Saskatchewan and Canada along with industry develop a comprehensive food safety regulatory framework and training program for the provincial agri-food industry that would address the needs and concerns of all points along the food chain.

d) That the government of Saskatchewan establish sector specific Technical Business Assistance Teams using existing resources that would provide assistance to new or expanding businesses. These teams would be assigned to development projects throughout their duration and would assist in: location analysis, accessing equity and debt financing, navigating the regulatory requirements, determining/negotiating business costs (i.e. utilities), accessing training and other programs and overall problem solving.

VII. Communication

a) The Government of Saskatchewan implement a focused communications strategy with industry and community organizations to communicate that Saskatchewan is a place of opportunity. This proactive communication needs to occur both within the province and beyond and would cover areas such as business environment and our competitive advantages.

b) That the provincial government work with the two large Saskatchewan daily newspapers to promote the positive side of the agri-food industry.

c) That Saskatchewan Agriculture and Food initiate an '*Award of Merit for Leadership in Agriculture*' to celebrate leadership and success in the value-added industry. This award should be presented by the Premier to create a very high profile.

THE SASKATCHEWAN AGRI-VALUE INDUSTRY

Saskatchewan Agriculture and Food (SAF) has identified 5 broad categories of value-added agriculture:

- Animal Products
- Plant Products
- Food Processing
- Agri-Fibre
- Feed.

Each of these categories has been further broken down into specific sectors.

Animal Products

- A red meat sector includes beef, pork and specialized livestock because of their commonalities in processing. All three sectors have seen impressive growth in the last decade, due in part to the natural production advantages and the loss of the Western Grain Transportation Subsidy (CROW) in 1995.
- A supply-managed sector consists of poultry, dairy and eggs. Because of the production regulations, growth is dictated by policy. In chicken, for example, production quota will double by 2003 providing the opportunity for increased feed and animal processing.

Plant Products

- Fruit processing is relatively new in Saskatchewan, but has grown to 10 full-scale processing companies. Demand for processed jams, pie fillings and syrups continues to grow, especially in the specialty and retail markets.
- The nutraceutical industry is also relatively new in this province. "A 15% annual growth rate over the next three years is anticipated for…functional foods and nutraceuticals." In Saskatchewan, growth in the number of companies has been significant from only a few in the early 1990's to more than 50 in 1999. [3]
- Herbs and spices is another growing sector of value-added agriculture. "North American consumption of medicinal herbs continues to increase at a rate of 20 - 30% annually."[4] The Saskatchewan Herb and Spice association is forecasting growth rates of 400% for spices in this province.
- Pulse crop production and processing is one of Saskatchewan's most prominent success stories. This industry has seen 1100% growth in the last decade, and similar growth is projected by the Saskatchewan Pulse Growers Association to continue until at least 2010. There are currently about 128 special crop processors in Saskatchewan employing more than 1,200 people.
- The global organic industry is another segment of rapid growth. In many countries, annual growth of the organic food trade is estimated to be approximately 23%.[5] In Saskatchewan, the number of organic producers has increased by 48% between 1998 and 1999, and the number of processors has also steadily increased in recent years.
- Vegetable/Greenhouse. Our climate is somewhat restricting here, but greenhouse and potato production have contributed to growth within this sector. Between 1995 and 1998, total Saskatchewan vegetable and floriculture exports increased by 344% and seed potato exports have increased by 393%. While our climate may be harsh for production, it is also an advantage (at least in seed potato production) because many pests cannot survive a Saskatchewan winter. This is often referred to as "*Northern Vigor*".

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[3] Nutrition Business Journal, 1997.

[4] State of the Industry Report: Low Acreage and Special Crops. Ontario Ministry of Agriculture, Food and Rural Affairs. 1996.

[5] Organic Food and Beverages - World Supply and Major European Markets. ITC. October, 1999.

Food Processing

- As mentioned, food and beverage processing in Saskatchewan is in a strong growth period. Most of the estimated 300 food and beverage processing companies in Saskatchewan are small to medium, measured in size in terms of employment, assets and annual sales. Food exports from Saskatchewan have increased by over 90% since 1993, which according to Statistics Canada, is the highest growth rate in the country.
- Saskatchewan has a stable milling and baking sector. The number of mills has actually decreased, but value has increased in both domestic and export markets. An interesting fact is that only about 20% of the milling wheat produced in Canada is processed in Canada; 80% of Saskatchewan's milling wheat is exported as raw material.

Agri-Fibre

- This is a relatively new sector of non-food processing, but it is steadily growing in importance. Agri-fibre uses include flax straw for industrial use (i.e. car door paneling) and insulation, wheat straw for fibreboard, canary seed straw for egg trays. Continued pressure on a renewable source of wood products will drive demand for agri-fibre.

Feed

- The feed industry is now the 16th largest manufacturing sector in Canada.[6] International market expansion in the meat and pork sector has driven this demand, and animal health concerns in traditional feeds (bone meal) will support a strong and growing market for feed products. Feed pre-mixes, alfalfa pellets/cubes, double compressed timothy hay bales and even pet feed appear to be areas of growth for Saskatchewan.

GLOBAL TRENDS AFFECTING THE VALUE-ADDED SECTOR

Saskatchewan firms now compete in a global agri-value industry. The influences of technology, consumer demand, marketing, capital flows and consolidation/concentration towards multi-national organizations has extended agri-food trade across the globe. While this has complicated the methods needed to participate in this industry, it is also good thing for Saskatchewan, as it provides us with a great opportunity to add value to our primary agriculture production. Instead of exporting low value, high-density products to other areas for further processing we should (where it makes economic sense) process the same products and increase the value-added activity in this province.

The global market for processed food and non-food products is driven by many forces. These forces set the context for the Saskatchewan agri-value industry.

Food Safety

One only has to look at the news to witness growing concerns over food safety. Reports on Foot and Mouth disease, Mad Cow disease, *e-coli* contamination and other food-borne diseases are increasing and this suggests a growing concern over food safety.

A December 1999 report by Environics International explores consumer attitudes related to food safety and biotechnology in several countries[7]. Questions explored included level of concern and confidence in food products. The results of this study are summarized below.

The following chart illustrates that food safety is by far the food issue that causes consumers the most concern. Germany and Japan were also surveyed and the level of concern with food safety is even higher than the Canadian, US and Chinese results.

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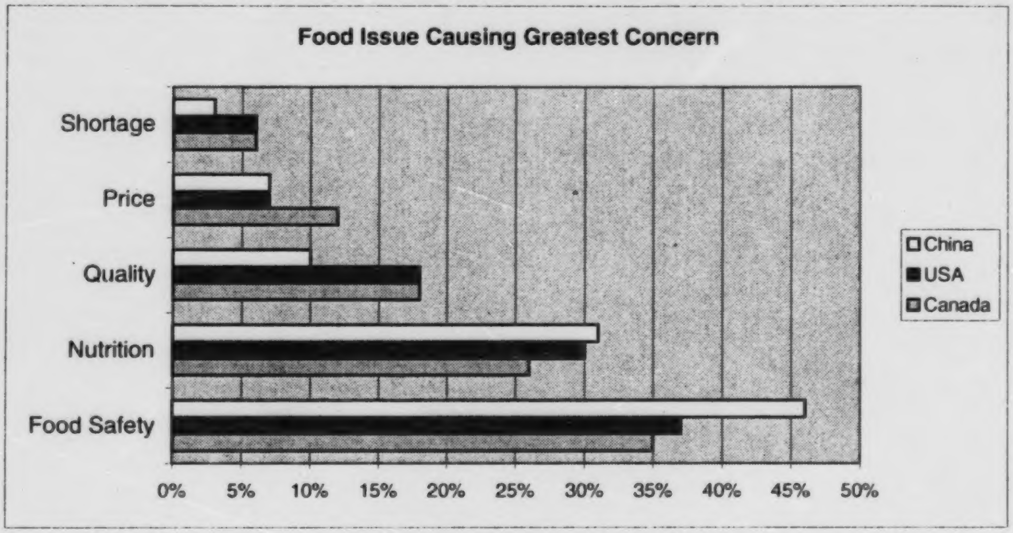
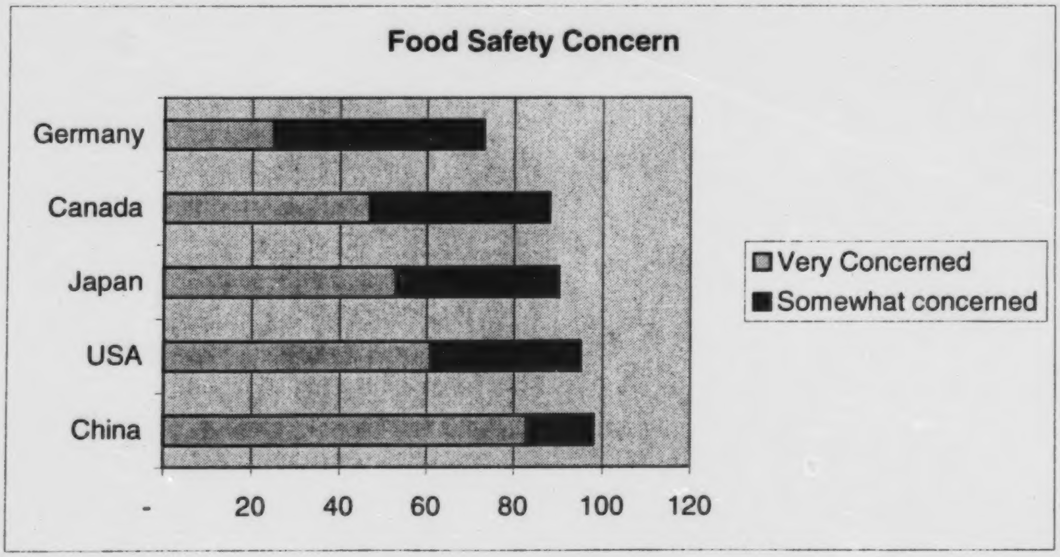
[6] Canadian Food Inspection Agency. Facts and Figures - Canadian Feed Industry Association. 1999

[7] Environics International. International Survey on Food Safety and Biotechnology. December 1999.

In the same survey, respondents were asked to comment on their level of concern over food safety. The results illustrate that not only is food safety the largest food issue, but the majority of consumers are quite concerned over the safety of their food products.

For food processors (and producers) the implications are clear: food must be safe. All of the above results clearly indicate that there is growing concern over the food that we eat. As consumers become more educated and as technology continues to advance, food safety will continue to be an issue, at least until policies and practices in food production and processing can unequivocally guarantee safe food.





And producers/processors are moving in that direction. Hazard Analysis Critical Control Points (HACCP) is a new way of approaching the management of chemical, physical and biological hazards, which affect food production. When organizations implement a HACCP system, they are making a commitment to produce safe food. In Saskatchewan in 1999, 16 food-processing companies had implemented a HACCP plan. In 1999, the Canadian Food Inspection Association (CFIA) issued an industry communiqué to all federally inspected meat and poultry establishments that they were making HACCP mandatory. This move was made to ensure safe food and to keep pace with the USA who also issued a mandatory system shortly before. It is clear that future market access (especially international market access) will depend on the systems that producers and processors have implemented to ensure the safe production of food.

Global Trade & Demographics

More and more players are participating in world trade in agricultural products. Between 1985 and 1996, world trade doubled to a value of $464 billion US. As governments continue negotiations towards freer trade (i.e. Free Trade Zone of the America's), those trade numbers will increase. But there will continue to be opposition to global trade. Trade distorting practices, subsidies, trade barriers in other exporting jurisdictions directly impact the economic viability of our agri-food industry. The outcome of future World Trade Organization (WTO) negotiations will have a major impact on both the primary and value-added industries in Saskatchewan.

The world's population has now eclipsed 6 billion people, a 22.5% increase since 1986. The United Nations is projecting that 9 billion people will inhabit the earth by 2050 and level off or decline thereafter. Rising income levels in developing countries could have a major impact on demand. Growth in food exports is expected to continue to between $626 billion and $745 billion US by 2005 (Canada's International Business Strategy).

Consumer Driven Food Markets

The consumer holds ultimate power in the food industry. But consumers can be influenced by large multinationals through costly and extensive marketing campaigns, exclusive product supply arrangements with retail chains, and innovative communications. The agri-food industry needs to adopt equally sophisticated marketing approaches to enhance their successes. That said, if consumers do not like something, they will not buy it. When it comes to their own health and well being, consumers will be extra careful when considering what to eat and drink. The food safety issues discussed above demonstrate that consumers are driving the international food markets. This force is particularly evident on two fronts: the growing demand for organic food and consumer resistance to genetically modified food.

Global demand for organic products is increasing at an estimated 20% to 30% annually[8], and Saskatchewan is in a position to capture some of that growth. There are many factors driving this growth, which is expected to continue far into the future. As mentioned, food safety is a major driving force for organic food consumption. Reality or perception, the effects of intensive production, biotechnology, 'frankenfoods', and chemical residues are a serious and growing concern with many consumers. The following chart illustrates organic demand growth projections in several European countries and the USA.[9]

In Canada, the Saskatchewan organic agriculture industry has led the way in growth. According to Macey[10], Saskatchewan had a 48% increase in the number of certified organic producers between 1998 and 1999. But Macey's number of 626 organic

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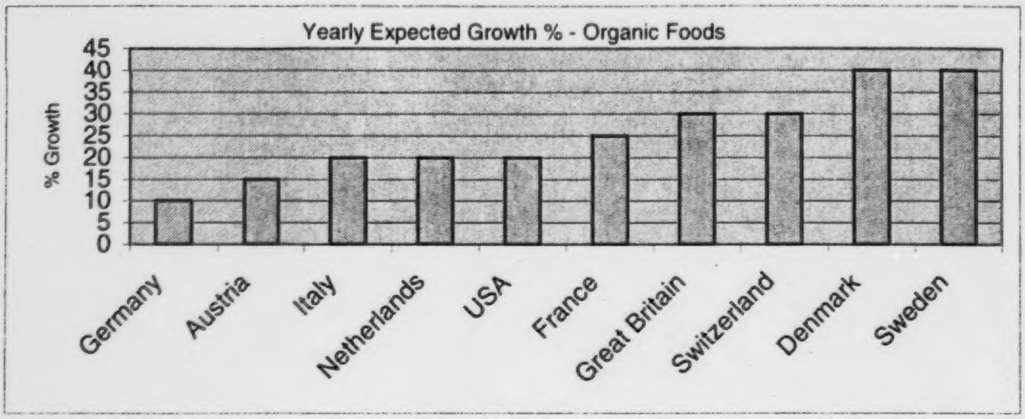
[8] http://www.ifoam.org/orgagri/index.html

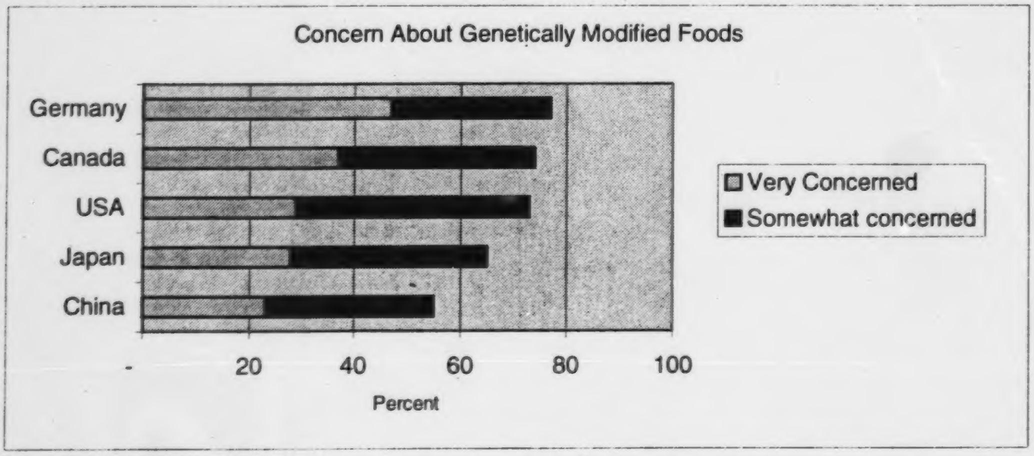
[9] Willer, H. and Yussefi, M. Organic Agriculture Worldwide 2001 - Statistics and Future Prospects. On-line. Internet. Available: http://www.soel.de/inhalte/publikationen/s_74.pdf

[10] Macey, Anne. 2000 Canadian Organic Growers. Appeared in Winter 2001 Eco-Farm & Garden.



producers is somewhat dated and does not capture the recent surge in numbers. A February 2001 study by the Saskatchewan Organic Directorate indicates there are 986 current organic producers in this province[11]. The survey also identified consistent and large increases in the number of organic acres over the next year.

Consumer resistance to genetically modified foods is also evidence that they are driving food markets. The Environics study cited earlier concludes, "...nearly seven out of ten people in the five countries surveyed conclude that they are at least somewhat concerned about the genetic modification of their food."[12] This is illustrated in the following graph.



Technology

In primary agriculture, technology has made great strides. In the face of depressed commodity prices and rising input costs productivity continues to increase. Many farmers are in a serious cost/price squeeze, but some have been able to tackle shrinking profit margins by adopting innovations and capturing economies of scale. Some have been able to use technology to increase their ability to compete in global markets. New crop varieties, improved animal breeding techniques, efficient machinery, and smart chemicals have all been made available to primary production through technological innovation. Genetic modification technology is capable to significantly change agriculture. In spite of these technological advances, consolidation of farms and increased farm size will likely continue as margins continue to shrink.

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[11] Frick, Brenda. Production Statistics for Organic Agriculture in Saskatchewan for 2002.

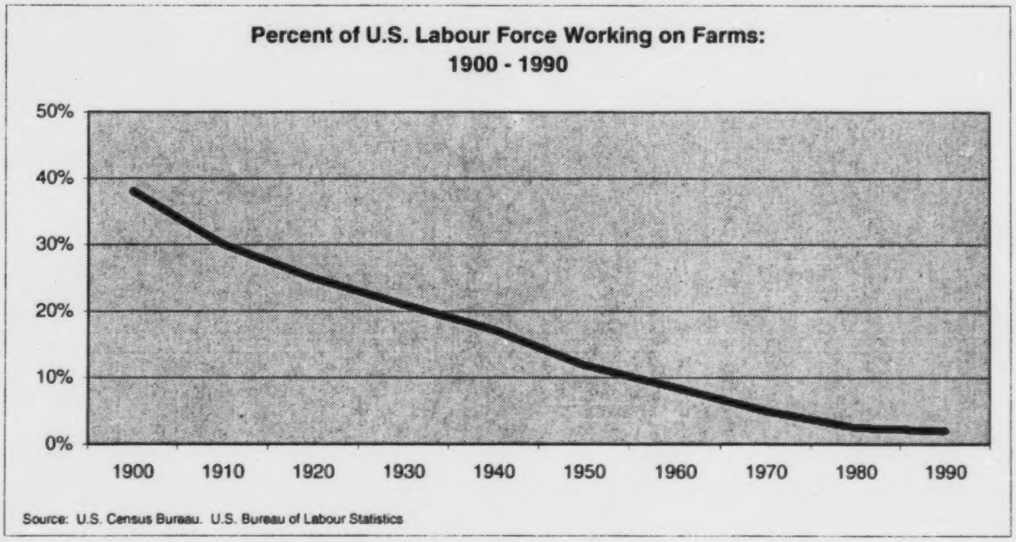
[12] Environics International. International Survey on Food Safety and Biotechnology. December 1999.

In the agri-value sector, technological innovation is also evident. Food processing is now much more than milling wheat to flour. Techniques such as protein/nutrient extraction, functional food/ nutraceutical product development, rapid chilling techniques and irradiation are enhancements to food processing made possible by technological innovation. Technology has also allowed for automation and computerized least cost formulation of feed premixes. This, in turn, has led to integrated feed and livestock operations that are more efficient than in the past.

Rural Depopulation

Technology has allowed/required less labour to be used in the efficient production of agricultural products. This has resulted in the number of farmers to decline in all of the advanced countries of the world at a time when agricultural production is increasing.

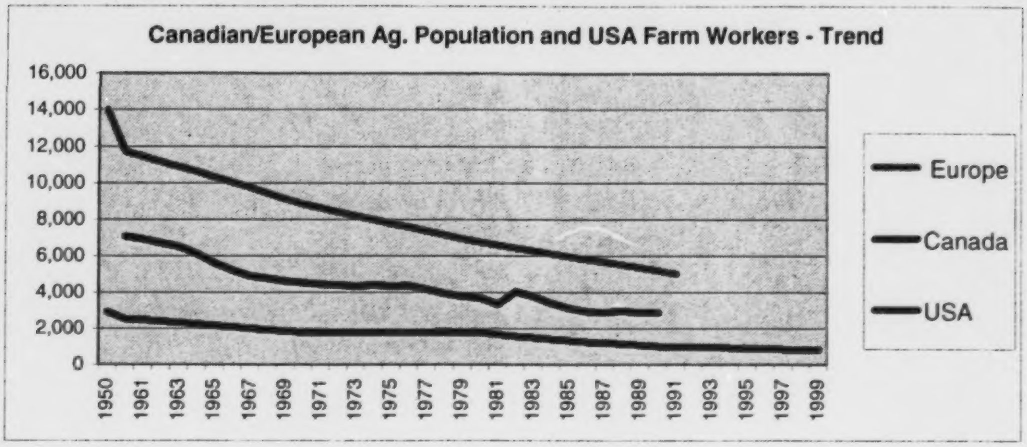
Rural depopulation is a significant trend in Saskatchewan. It is no secret that our rural communities are shrinking. Statistics Canada Census data shows the population in most Saskatchewan rural communities declined between 1986 and 1996. A sample of some of the larger rural communities over that time demonstrates a drop in population by 3%. For value-added industries located outside of the larger centers, depopulation can lead to employer difficulties in finding and retaining employable people.



Source: U.S. Census Bureau. U.S. Bureau of Labour Statistics

But this trend is not unique to Saskatchewan. Rural depopulation is a trend across Canada and around the globe. One way to quantify this in the USA is to look at the decline in farm labour. The following chart shows a clear trend toward fewer farm employees in the United States.

The European Union is not exempt from this trend either. Records in the EU track Agricultural population, and the 30-year trend is also downward. This is illustrated on the chart on the following page, which compares Canadian and European agricultural population and USA farm workers.

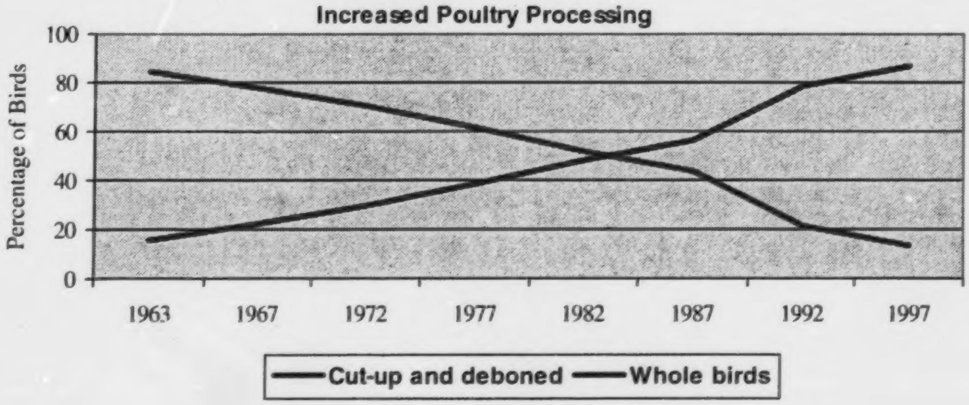


Deforestation

Deforestation is a reality. One report from the University of North Carolina states that global clear-cutting removes 214,000 acres of forest every day.[13] Another document specific to Canada states that "Under current management practices, harvesting rates appear unsustainable over the long-term."[14] This pressure on the global and national forest supply means that alternative sources of building materials will need to be developed, and Saskatchewan's abundant source of agri-fibre is an effective and sustainable alternative.

Increased consumption of processed foods

Processed food products are continuing to increase. This has pushed the producer further and further away from the end consumer. This has meant that it is harder for the producer to identify changing consumer needs and has meant that revenue stream to the producer comes from the processor. The following chart depicts the increased processing in the poultry industry.



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[13] University of North Carolina. On-line. Internet. Available: http://www.uvm.edu/~cbanks/.

[14] Global Forest Watch. Canada's Forests at a Crossroads: An assessment in the Year 2000. On-line. Internet. Available: http://www.wri.org/gfw/pdf/canada.pdf.

Globalization in food manufacturing and handling

Rationalized handling - The food handling business is *increasingly concentrating* suppliers and warehouses in a few locations. Processors wishing to supply the traditional high volume market have to have large capacity and to avoid transportation charges look to being close to the warehouse distribution points. With the concentration of facilities in a few locations, producers who would most likely participate in the small scale processing industry would have difficulty with accessibility.

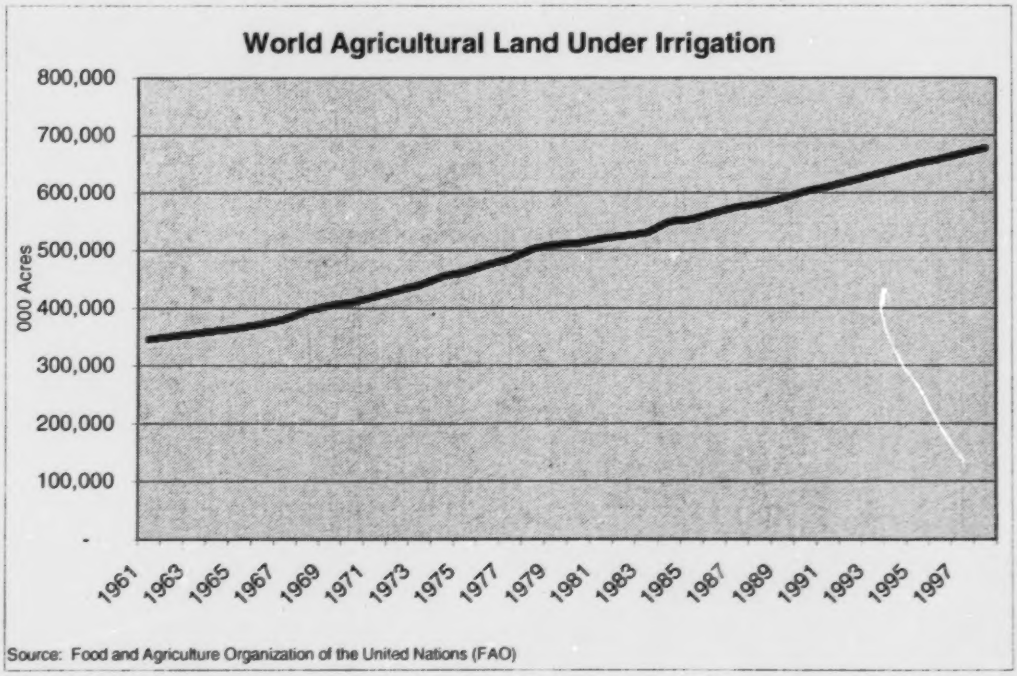
Corporate concentration - in many of the key sectors of agriculture or service providers there is a rising concentration of market power nationally and globally. Further, the concentration of power is moving vertically as well as horizontally - grain company linking with biotech companies supplying producer's inputs versus grain companies buying grain companies to get larger and increase market share. The number of mergers and acquisitions throughout the food production chain is evidence of globalization.

Water

In many of the key agricultural producing areas of the world access to water as a necessary element of agricultural production is being limited by other uses. Further, extensive use of water has begun to reduce its availability. Many value-added businesses utilize high amounts of water in their processes and a consistent supply of high quality water is essential to their success.

Environmentalism/Animal Activism

Environmentalists have generally not paid much attention to farming or to the practices of farming as they have concentrated their efforts in other areas such as manufacturing and forestry. This will likely change in the future as environmentalists begin to focus on intensive farming. Large-scale livestock operations like hog barns and feedlots have been targets of animal rights activists in other regions, and Canada/Saskatchewan can expect to experience an increased lobby for animal rights.



Source: Food and Agriculture Organization of the United Nations (FAO)

This is not to say that there are no legitimate environmental concerns. In fact, sincere concern for the impact economic development will have on local environments need to be addressed. Proponents of intensive livestock operations should embrace constant environmental improvement as a good business practice. It is equally important, however, that calls for environmental improvement be based on sound and proven scientific facts and not on an unsubstantiated premise of environmental degradation.

SASKATCHEWAN TRENDS AFFECTING THE VALUE-ADDED SECTOR

Rural Depopulation - Availability of Labour

The oil boom in Alberta, and the likelihood that high energy prices will continue as a result of the world wide desire to reduce energy consumption will mean that the divergence in wealth between Alberta and the rest of Canada will continue to widen. Unlike a national government blessed with wealth, Alberta's wealth will be easier to attract labour resources from other jurisdictions and to create its own critical mass for other economic activity. This will be a constant magnet pulling resources from Saskatchewan and threatening many forms of economic growth that we may pursue.

Transportation Reform

Transportation reform and other factors have led to significant transportation and grain handling consolidation in Saskatchewan and around the world. The full impact of this reform will lead to fundamental changes to the type of transportation infrastructure that is available to rural Saskatchewan. It will not be an option to keep all roads at least in their current configuration. We are also in a period of rail-infrastructure rationalization. A collective and collaborative approach to rail branch line network utilization would certainly benefit the agri-food industry as it promises the lowest cost per unit for shipping long distances.

Consolidation of Head Office Power in Calgary

While statistics are hard to come by, anecdotal evidence clearly suggests there is a trend to consolidate head offices in the larger centers such as Calgary. This consolidation makes sense logistically, but creates another challenge for Saskatchewan. Head offices are home to the higher paying jobs and the leaders who have the skills and abilities to perform economic development activity. Regional offices are numerous throughout Saskatchewan, and while they house good managers, these managers do not typically have the authority to undertake development activities beneficial to specific communities.

Consolidation of Distribution in Calgary

Transportation warehousing and distribution activity is also consolidating in the larger centers like Calgary. And again, the logistical and economic advantages for this concentration make good business sense. But to gain access to these distribution hubs, Saskatchewan is disadvantaged simply because of the geographical distance.

Venture Capital Investment

Industry leaders indicate that there is a lack of venture capital in Saskatchewan. This void means that the risk capital and growth development needs of Saskatchewan entrepreneurs are not being met. The conclusion is that many initiatives do not proceed or they proceed in another jurisdiction. Since 1994, Saskatchewan's venture capital investment has remained relatively flat in the range of $40 to $45 million per year. At the same time, venture capital investment in Western Canada has increased by 318%. In comparison, Manitoba's venture capital activity has been 40% higher than Saskatchewan's.

SASKATCHEWAN OPPORTUNITIES & CHALLENGES

The current trends in the global agri-food industry present Saskatchewan with many opportunities. For the value-added sector, impressive growth in global demand provides a great opportunity. But there are also many challenges that need attention before we can fully capture all of those opportunities.

Opportunities

- To further develop the food processing industry;
- To fully utilize the comprehensive supporting infrastructure;
- To add value to a wide variety of low cost raw materials;
- To take advantage of our strong research and development support;
- To take advantage of our central location - we are the "belly of Canada";
- A stable supply of high quality water in many regions of Saskatchewan;
- Room for development that is better suited in a rural location (hog barns);
- To make use of a hard-working, well-educated, skilled and productive work force;
- To reduce cost of production - Saskatchewan offers a lower cost of doing business;
- To promote our advantages - a low cost of living and a healthy and safe lifestyle;

Challenges

- To change negative attitudes that we are a "have not" province;
- To mobilize leaders and entrepreneurs to develop opportunities;
- To access sufficient financing for development;
- To deliver product to major consumer markets;
- To stem the flow of our knowledge base to other jurisdictions;
- To tell the world who we are and what we can do;
- To maintain infrastructure and to build where necessary;
- To invest in food or other processing in Saskatchewan by encouraging local entrepreneurship, harnessing provincially generated capital and attracting companies to invest here.
- To reverse the decline in rural resources.

AGRI-VALUE RECOMMENDATIONS

Foreward

In the section that follows there are a series of recommendations intended to address a key issue for Saskatchewan. That issue is one of building capacity.

Capacity development is a complex process of human and institutional change. It encompasses our provinces human, scientific, technological, organizational, institutional, infrastructure and resource capabilities. The aim of capacity building is to enhance the province's ability to evaluate and address issues as they arise, target the crucial questions related to policy choices and finally to implement the development options that are effective and appropriate. Building capacity in the province will be based on three realizations: building capacity is a continuing, learning and changing process, it requires systematic approaches, and it requires better integration of individuals, communities and organizations.

We cannot loose sight of the fact that capacity is an outcome. Factors which determine the magnitude of our capacity are: viable institutions, leadership and vision, financial and material resources, skilled human resources, efficient work practices such as systems and procedures and the appropriate incentives. Context matters in the building of capacity. The presence of an environment that is supportive will shape the outcome. Political, cultural and psychological factors are the most difficult challenges we will have to overcome.

There are two distinct approaches to build capacity in the agri-value area; focus on developing opportunities and focus on solving problems. The focus on developing opportunities looks forward and underscores the need for growth and newness. A focus on solving problems attempts to eliminate problem situations that are a roadblock to change. Both approaches are necessary.

The following recommendations look to address both strategies of developing opportunities while simultaneously seeking reform. Clearly it is the opinion of the committee that both must be aggressively pursued.

Inherent in this discussion is the basic assumption that change is necessary. We have to agree as citizens that development of a thriving agriculture value-added sector is critical for the survival of both rural and urban Saskatchewan. We also have to evaluate our relative position in the Canadian economy and reflect on the decisions we have taken and the outcomes we have seen. We can no longer continue to fine-tune our agriculture strategies and simply tinker around the edges of very difficult issues. We have to identify the landscape that we want to build, recognizing that change is inevitable, and take measured steps and risk to elevate our standing.

The process of building our capacity and subsequently our likelihood of success will take much more that the ideas articulated below. The recommendations in this paper are intended to be directional in nature and merely a starting point.

Building Opportunities

Leadership and Vision

In Saskatchewan some would suggest we have an attitude problem. Wealth accumulation is not viewed with the same degree of acceptance that you would find elsewhere in this country. While not a scientific evaluation, both of these opinions were evident in the consultations with agri-businesses in and out of Saskatchewan. In turn, this attitude has shaped our way of doing business. We do not embrace or celebrate financial success and are often cautious about it. This attitude is pervasive and affects our self-image and how others view our province. It then impacts our ability to develop businesses in the value added agriculture and food industry. Since we have had limited success in attracting these types of businesses, we lack the critical mass of leaders required to grow this industry.

Leadership is essential to affect positive change. It takes someone with ability, drive, resources and entrepreneurial skills to grow the industry. But the consultations concluded that there is a deficiency in the number of leaders and leadership skills in rural Saskatchewan. The consensus is that

Saskatchewan needs to develop leadership skills by training, through a mentorship program and/or by attracting new or expatriate leaders back to Saskatchewan. Having leaders is critical to building capacity. They are decision makers, they have the capacity to influence and train entrepreneurs, and they have the capacity to communicate the messages that need to be heard.

A good example of skills training in rural Saskatchewan is the Green Certificate program. Designed for primary agriculture, the Green Certificate program provides on farm training for young people in seven production sectors. The Green Certificate Program's objectives are:

- to develop technical and managerial skills in those desiring to enter or continue a career in farming;
- to provide the means for certifying the achievement of skills by a formalized practical testing system;
- to develop and maintain a base of competent employees for the agriculture industry;
- to increase the knowledge in farm management and improve human resource planning in agriculture.

The program is deemed to be very successful by all participants. Since its inception in 1995, 130 certificates have been awarded in the dairy, feedlot, cow-calf, swine, field crop, sheep and aerial application sectors. There are currently 247 registrants in the 7 sectors of the Green Certificate program.

There is also a strong consensus in rural Saskatchewan that leadership must come from the provincial government. A perception has developed that governments have been active in imposing regulations to control activities of business, but haven't been active enough in their role of creating a positive climate for the growth of business, particularly agri-business. In addition, many feel that there are bureaucrats within government that are not supportive of growth or diversification, and have hampered change by their actions. Once again, this sends a negative signal to industry and entrepreneurs about the commitment of the government to affect positive change. The leaders have to lead by example, and that means government leaders need to demonstrate a clear desire to be the leaders and partners in industry development.

Recommendations:

- **That the provincial government develop a recognized program that provides people with the opportunity to build their entrepreneurial, leadership and management skills in the agri-value sector.**
- **That all provincial government leaders emulate a desire towards growth and economic development in Saskatchewan.**

Mentorship

The development of a vibrant agri-business industry in Saskatchewan is more than good projects with adequate capital. It is essential that projects include an experienced management team and a well-developed business plan. Many of Saskatchewan's entrepreneurs emerge from either a scientific or production background and have limited experience in finance, marketing and human resource development. All of these skills are essential to taking their business through various stages of development or growth. Overall, this lack of business acumen limits the growth potential of the agri-value sector in Saskatchewan.

This lack of key business skills also increases the likelihood that projects will fail. The financial community rapidly develops an aversion to lending into or investing in a sector that has a high "mortality" rate. Projects that fail due to poor management make development of the next project in that sector much more difficult.

Saskatchewan has experienced CEO's or individuals with senior management experience that if utilized could be a definite asset to the province. However, many leave Saskatchewan because they do not see an opportunity to use their skills in interesting or rewarding ways. This exit of experienced people has significant impacts on the industry and its potential for expansion in the province.

The First Nations Community is assembling a significant number of agricultural resources and is seeking business opportunities to create jobs and address the unemployment issues facing their people. Business and management experience should also be enhanced through leadership and mentoring programs.

Recommendation

- **The Saskatchewan government utilize existing resources to establish a "Venture Management" initiative that would match experienced managers with new or expanding agri-business. This initiative would accelerate development, reduce the number of projects that fail and retain/develop management and leadership skills in the province.**

The Environment

The first question that must be answered if we are going to increase Saskatchewan capacity to include a thriving agri-value industry is " Where are we now?" What is the capacity within the province to develop opportunities that arise or attract proponents that have the ability to develop agri-value initiatives in the province? Throughout the many consultations conducted a common theme emerged. Saskatchewan doesn't recognize the possibilities or strengths that exist in it's own back yard. There needs to be a systematic, comprehensive cataloguing of the available resources in this province. These resources could include existing companies, physical infrastructure, human resources, available raw materials, and transportation networks to name only a few.

The cataloguing cannot end with merely an understanding of rural strengths. Saskatchewan is a small province with the rural and urban economies highly reliant on each other. We must develop an understanding of the research infrastructure, financial capacity and institutional support that exists in our larger centres. We cannot market one element of our province to the world without including the other.

Beyond simply cataloguing the existing tools we have, we need to identify their long-term viability. Can we continue on the path we are on and reasonably expect to replenish our resources over time or do we have to change the way we build, support, regulate or develop our capacity.

Additionally this process will reveal those gaps that exist in our communities. This can assist us in refining our choice of opportunities that can be pursued or it can result in identification of key things that must be done prior to undertaking any development initiative. The cataloguing process would include but would not be limited to water, highways and municipal roads, labour force, and utilities. Resource limitations and an outline of possible development opportunities could also be included.

Recommendation

- **That the Rural Revitalization Office lead a project to develop and maintain a comprehensive catalogue of provincial resources by 2003 in support of provincial economic development.**

Innovation

The Saskatchewan agri-business industry will need to be innovative if it is to survive. It will have to become innovative in its processes, procedures and products destined for specialized markets. Saskatchewan needs to move up the value chain.

Knowledge is one of the competitive advantages Saskatchewan can exploit. This knowledge can successfully be obtained through targeted research leading to innovation based on use of our raw resources and the application or commercialization of this innovation. If our province is to prosper, innovative uses of technological advancements and new applications for existing technology must be commercialized here in Saskatchewan.

In the consultations with Saskatchewan agri-businesses, it was pointed out that there are government funds for research and development. Saskatchewan has invested heavily in primary research, in large part because of the existence of the University of Saskatchewan and their related need to conduct research as part of their mandate. Programs such as the Agriculture Development Fund (ADF), the Agri-Food Innovation Fund (AFIF) and research and development tax credits have historically provided grants for R&D. But there is no funding available in Saskatchewan to commercialize research.

Recommendation

- **Targeted tax relief or research grants for companies, cooperatives and/or non-government organizations that commercialize research leading to investment and employment in Saskatchewan.**

Investment

First time agri-business proponents as well as those with tenure have identified access to capital as a significant limiting factor. This is unique to Saskatchewan. Since 1994, Saskatchewan's venture capital investment has remained relatively flat in the range of $40 to $45 million per year. At the same time, venture capital investment in Western Canada has increased by 318%. In comparison, Manitoba's venture capital activity has been 40% higher than Saskatchewan's.

For many companies the role of Crown Investments Corporation, the Saskatchewan Opportunities Corp., the Agri-food Innovation Fund or their predecessors were identified as a deciding factor or stabilizing influence in their development. They give high praise to the access, quantity and quality of capital available through these channels. But not all organizations can or want to access funds from these sources. There may be agri-businesses that do not meet the minimum size requirements of the CIC and may have trouble sourcing capital for their developmental needs. Others may find the terms of capital unsuitable for their needs. Venture capital funds, for example, look for investments with a significant return. The nature of most agri-business initiatives does not fit with these criteria and they are typically forced to look elsewhere for capital.

The agri-value industry has also identified a concern with the Saskatchewan Securities Commission (SCC). Access to capital is very difficult for small agri-businesses because of the SCC regulations. There is currently a $1,000,000 ceiling under which businesses looking to raise capital are exempt from filing a prospectus with the SCC. But most agri-businesses are above that threshold and feel that the ceiling should be raised to help these small agri-businesses generate capital without the regulatory impediments of the SCC.

Recommendation

- **That the provincial government establish a source of patient, affordable capital specifically for Saskatchewan based agri-business ventures.**
- **That the government establish a fund that would enable equity investment into new or expanded agri-business by smaller groups of interested investors in local communities.**
- **That the Saskatchewan Securities Commission increases the threshold for SCC filing exemptions for agri-businesses from $1 million to $5 million.**

Alliances

Many companies speak to the value of critical mass and proximity to other processors. The proximity they describe does not necessarily mean distance to someone in the same business, but proximity to other businesses that share common interests in key elements of their business. Transportation, packaging supply, testing facilities, and access to skilled trades are a few elements where sharing can allow businesses to reduce costs.

For many companies the development of a critical mass that would allow the sharing of key services is important. The availability of appropriately zoned and serviced land with the supply of key pieces of infrastructure may be warranted.

Saskatchewan has two similar examples that demonstrate how development of a critical mass can help to kick-start a specific sector. The first is the establishment of Innovation Place at the University of Saskatchewan. This 'bricks and mortar' infrastructure investment helped the province to develop a world-class research and development community. The second example is the work being done in Regina to create a research park specific to the oil and gas industry. In Saskatoon, there are a number of key pieces of infrastructure that support the food processing industry. The Food Industry Development Centre, for example, was created in partnership with the Saskatchewan Food Processors Association and the University of Saskatchewan to support food processors. It has become a one-stop centre for product development and evaluation, interim processing, packaging and labeling and quality/safety excellence. The Centre is a key piece of a critical mass in the food processing sector that is developing in the Saskatoon area.

Recommendation

- **It is recommended that the government co-ordinate a stakeholder evaluation of the viability of creating a "Food Park" in support of the food processing industry. This evaluation would identify the capacity that is currently available to support a developing food processing industry.**

Investment Attraction

The development of agri-business in Saskatchewan needs proactive support. Without support at the community, institutional and government level, development will continue to occur at a slow and steady pace. This pace is far beneath the province's potential and far behind that necessary to stay abreast of comparable jurisdictions in Canada and beyond. Saskatchewan needs to work with both local and out of province entrepreneurs to develop our agri-food industry.

In the consultations with out-of-province agri-businesses, the leaders clearly stated that they do not receive adequate information from Saskatchewan regarding its competitiveness as a place to expand or establish business. Most responded that they would welcome more information from Saskatchewan as they now receive it from other states and provinces. Providing an on-going distribution of positive information regarding opportunities for growth in this province will facilitate investment attraction.

In other jurisdictions, programs that facilitate business development and/or expansion are highly successful. In Washington State, for example, the Office of Trade and Economic Development (OTED) has set up a Business Technical Assistance (BTA) Unit to provide technical and financial assistance for new and existing businesses. In essence, staff of the BTA work with companies to provide problem solving and technical assistance needed for business growth. The OTED website states that "The Business Retention and Expansion Program has helped retain and expand 262 manufacturing/processing firms resulting in the creation or retention of over 20,282 jobs and $62 million in state tax revenue in its ten years. For every state dollar spent, the program has generated an estimated $19 in state taxes."

There are similar investment attraction programs in Canada. In Quebec, activities of the Centre de coordination des projects économiques (CCPE) are aimed at:

- Improving the coordination of economic projects and the coherence of actions taken by various government players;
- Present, as required, an integrated government offer to promoters;
- Facilitate business interaction with government;
- Accelerating processing of economic and job-creation projects and;
- Ensuring administrative coordination.

Recommendation

- **That Saskatchewan Agriculture and Food develop and lead an Agribusiness Investment Strategy. This strategy would identify an "investment team" that actively co-ordinates and pursues attracting entrepreneurs, agri-business partners and capital into the province in targeted sectors.**

- **That the government of Saskatchewan establish sector specific Technical Business Assistance Teams using existing resources that would provide assistance to new or expanding businesses. These teams would be assigned to development projects throughout their duration and would assist in: location analysis, accessing equity and debt financing, navigating the regulatory requirements, determining/negotiating business costs (i.e. utilities), accessing training and other programs and overall problem solving.**

Focus on Solving Problems

Business Climate

Repeatedly project proponents have identified the need for a progressive, responsive, predictable business climate as a prerequisite for investment. Agri-business is a capital-intensive industry often with modest returns and significant risk relative to other sectors. A business climate that places them on a level playing field with their competitors in other jurisdictions is very important. Repeatedly the committee heard that all departments in the Government of Saskatchewan and it's Crown Corporations need to become more focused on creating a positive business climate, more co-ordinated in their efforts to develop targeted sectors and services, and more responsive to the needs of industry. Government (at all levels) and the Crown Corporations should not be barriers to sound business development opportunities.

Labour

Access to a sufficient quantity of highly skilled labour in a competitive labour environment was the most frequently cited concern in the consultation process. Saskatchewan's working-age population is not growing, it is increasingly clustered around large centre or cities and it is highly mobile. As companies consider making large capital investments with the expectation of 20 or 30 years production to extract the maximum return, uncertainty about the labour environment increases their risk. Business needs to understand and manage this risk as much as possible.

One of the first recommendations to come from ACRE (January 25th, 2001) dealt with access to migrant workers through changes in the immigration policy. This recommendation will certainly help to manage the quantity of labour but falls short of creating and maintaining a competitive labour environment. Throughout the interviews conducted with agri-business both within and outside of Saskatchewan there is a perception that this province's labour environment is unfriendly to business and not competitive with other jurisdictions.

Recommendation

- **It is recommended that the Saskatchewan government, organized labour and industry enter into a review/dialogue to establish the measures necessary to create a positive and progressive labour environment. Included as a specific objective is a fair, equitable and effective workers compensation program in Saskatchewan. The primary goal of this review, however, is to establish a system that is comprehensive, understandable, and as competitive as other jurisdictions where agri-value business is currently developing.**

The ACRE committee has acknowledged that labour is one of the most significant issues affecting rural Saskatchewan. To begin to address this issue, ACRE is in the process of setting up a separate committee to look at labour issues.

- **It is recommended that the ACRE round table on labour investigate ways to work co-operatively with First nation and Metis people to increase their employment opportunities in rural Saskatchewan.**

Taxation

Taxation is one of the key tools that government can use to influence economic change in this province. Targeted taxation initiatives and expenditures in combination can be used to promote growth. The effective use of these tools was repeatedly encouraged during consultation with companies in both the early and mature stages of development.

There are many places where government action is needed to address the needs of agri-business development. In fact, when asked what initiatives would stimulate the most growth, tax reduction was the first choice of most of those consulted. The agri-value committee identified two specific areas for government action.

The first is the Corporate Capital Tax (CCT). As previously mentioned agri-business is a capital-intensive industry. This tax includes both capital assets and inventory beyond a threshold of $ 10 million. The problem identified is this tax is not income based, so that regardless of whether the firm is profitable or not the tax must be paid. The CCT was implemented over 20 years ago and the $10 million threshold may no longer be adequate given the increasing capital-intensive nature of agri-business. By its nature this tax does not encourage the development of larger or capital intensive agri-business in the province. The second place where action is necessary is through the targeted use of tax credits to encourage expansion of existing firms or the attraction of new firms to the province.

Recommendation

- **It is recommended that the government explore the adoption of a "Saskatchewan Value-Added Tax Credit" within the next year. This tax credit could be available in two forms:**
  1. **Eligible agri-business companies would receive a 3-5 year tax credit on profits generated from expansion or new construction. Eligibility would be based on criteria that examined the opportunity being developed, utilization of raw materials, potential economic benefit to the province, import replacement, employment and economic impact.**
  2. **An alternative form of this program would be designed for junior firms who do not have access to capital for new construction or expansion. This would see government or private industry finance the necessary facility and equipment and then lease it back to qualified proponents. These proponents would be required to assign their Saskatchewan value-added tax credit back to government (or private sector landlord) as part of their lease obligation.**
- **It is recommended that the Corporate Capital Tax be changed so that the exemption threshold is increased or that the tax is based on profitability.**
- **It is further recommended that ACRE form a sub-committee to deal specifically with taxation and the impacts on rural economic development.**

Regulations

Proponents, especially first time proponents of intensive livestock businesses, have noted difficulty and delays in gaining approvals to develop projects in rural Saskatchewan. Further there appears to be inconsistencies in the approval process as companies move between areas within the province. Bylaws in one rural municipality, for example, are often different than the neighbouring municipality and this increases both the complexity and cost of project approval. The development of a scientifically and economically sound "roadmap" targeting appropriate locations with a minimum number of organizational contacts is necessary to expedite development. But this development must be sustainable, and that means our regulatory framework must satisfy environmental and community concerns.

Recommendation

- **That SAF work with government and industry stakeholders to develop a streamlined provincial approval process to facilitate the development of agri-business enterprises. This would effectively provide a high-level policy harmonization in Saskatchewan.**
- **That SAF undertake a proactive Intensive Livestock Operation (ILO) site development process. Working in partnership with local communities interested in economic development, SAF would attain all of the regulatory approvals needed to develop an ILO. Once complete, SAF would turn the approved site over to the community so they can market it to ILO proponents.**

Food Safety

The importance of food safety and the market access implications of Saskatchewan being seen as a source of safe food are significant issues. Increasingly consumers, retailers and agri-businesses are using food safety as a key criterion in their decision-making. The Governments of Canada and Saskatchewan along with industry play a critical role in protecting Saskatchewan's reputation as a safe supplier of food to the world. And there are many other stakeholder groups at the local, provincial, national and international levels that must contribute to a consistent supply of safe food.

In Saskatchewan there is no consolidated piece of 'food legislation'. Instead, the controlling regulations are scattered across several government departments. Many other jurisdictions in Canada have developed a comprehensive food safety regulatory environment. To remain competitive in an increasingly stringent food safety environment, Saskatchewan must be more strategic in food safety regulation.

Recommendation

- **The Governments of Saskatchewan and Canada along with industry develop a comprehensive food safety regulatory framework and training program for the provincial agri-food industry that would address the needs and concerns of all points along the food chain.**

Transportation

Saskatchewan's ability to remain competitive in an area largely removed from any population mass will be its ability to develop and maintain an efficient, modern, low cost transportation network connected to the major centres of commerce and population. Agri-business related service industries are concentrated around "hubs". Of particular significance to the Saskatchewan industry are Calgary, Minneapolis, and Chicago. It is essential that government focus on moving product and people on "trade routes" that flow both east/west and north/south.

A significant portion of agri-value product moves by truck to distribution centres serving regions of the continent. Reducing the cost of this expenditure is related to maximizing weight, reducing time on route, and effectively managing the use of back-haul opportunities. The continued development of transportation infrastructure that links Saskatchewan to major markets is essential.

The Saskatoon area has the largest density of food processors in this province. Calgary has emerged as the West's centre for warehousing and distribution in this sector, but our transportation route does not adequately link Calgary and Saskatoon. A strategic approach to infrastructure development is necessary to facilitate the food processing industry.

Business is highly dependent on the ability to bring people together. The movement of people in and out of our province in a highly globalized economy is important. Saskatchewan is increasingly struggling to move people in a timely, cost effective way.

The third element in building an efficient transportation network in the province is the availability of rail access and containers. In this environment, where rail line underutilization or abandonment exists coupled with often-significant issues related to access of containers, uncertainty regarding market access is created. Market access risk may be one of the factors limiting agri-business investment in rural Saskatchewan. No capital-intensive industry will locate in a region that cannot guarantee access to adequate transportation networks over the long term.

Recommendation

- **It is recommended that highway corridors based on access to centres of trade be established by the government of Saskatchewan as a fundamental element of building a strong processing industry.**
- **It is recommended that the Government of Saskatchewan actively pursue increased air access to Regina and Saskatoon to meet the needs of business travellers.**
- **It is recommended that the Government of Saskatchewan lobby the federal government to create open access on the rail infrastructure to enhance competition.**
- **The provincial government explore the economic feasibility of constructing a world scale container port.**

Communication

Throughout the consultation process, Saskatchewan's image was mentioned as an impediment. Saskatchewan has many natural and competitive advantages, but the problem is that no one knows about them. Some of the out-of-province agri-businesses stated that they simply do not have enough information on Saskatchewan to consider this province as a business location.

This "poor image" perception is also pervasive within government, among the province's residents and among Canadians even if they have never visited or lived in the province.

In order to overcome this negative image, a focused communications strategy will be essential to portray Saskatchewan's advantages. The implementation of this communication strategy must be a concerted effort that portrays the benefits of investing in the value-added sector in Saskatchewan. This partnership should include the media, government and business. The strategy must celebrate the successes the province has achieved to date in diversifying the agriculture and food industry and adding value to the products produced by this sector. The strategy must also promote the willingness of Saskatchewan companies to partner with people and companies outside the boundaries of the province to build a more vibrant value-added industry.

Changing Saskatchewan's image is a dual process: internal and external. The first step will be to believe in "ourselves and our abilities" and to believe that change is possible and desirable. We are immobilized by our "poor self image". Therefore, we are unable to believe we can compete in the global marketplace and we are suspicious of those that do. We need to find credible ways to effect change. Government needs to make a concerted long-term effort to partner with the media and industry leaders to raise the awareness of the opportunities we have to manufacture and market high quality value-added products. The media needs to understand the effect of their constant focus on the challenges facing agriculture and to understand the role they can play in contributing to a more positive self-image.

Outside of the provincial boundaries, Saskatchewan is still seen as "the wheat province". This image needs to change without compromising the value the primary production sector can contribute to a healthy and profitable agriculture and food economy. Other jurisdictions have successfully implemented strong promotional campaigns to promote their products. The familiar "Alberta Beef" and "Taste of Nova Scotia" campaigns are two good examples. Saskatchewan needs to promote the quality and diversity of our products to shed our reputation as a "bread basket" only. We need to sell ourselves and our products to the world. Efforts of this nature have been attempted in the past ('Buy Saskatchewan!'), but they may not have been extensive enough to create 'brand' awareness, which is important to the consumer.

Saskatchewan also needs to celebrate our leaders. In primary agriculture, there is an annual award ceremony to honour our Outstanding Young Farmer. The ceremony increases awareness of primary agriculture and sheds a positive light on the image of the agriculture industry. But this ceremony is limited to primary agriculture. Saskatchewan needs to honour and celebrate leaders in the agri-value industry as well. This will showcase our value-added industry and encourage internal and external leaders to have another look at the Saskatchewan advantages.

Recommendation

- **The Government of Saskatchewan implement a focused communications strategy with industry and community organizations to communicate that Saskatchewan is a place of opportunity. This proactive communication needs to occur both within the province and beyond and would cover areas such as business environment and our competitive advantages. It would demonstrate the diversity of agri-value opportunities in Saskatchewan.**
- **That the provincial government work with the large Saskatchewan newspapers to promote the positive side of the agri-food industry.**
- **That Saskatchewan Agriculture and Food initiate an '*Award of Merit for Leadership in Agriculture*' to celebrate leadership and success in the value-added industry. This award should be presented by the Premier to create a very high profile.**

Appendix I Consultation Process

The agri-value committee performed extensive consultations in their process of generating these recommendations. The main objective of these consultations was to fully understand the breadth and depth of the issues facing the agri-value sector in Saskatchewan.

The consultations had five venues:

1. A questionnaire was mailed to 290 people, 60 of which were selected from the agri-value sector.
2. The Chair of the agri-value committee, Brad Wildeman and SAF/ECD resource people met with 7 out of province agri-businesses.
3. Another member of the agri-value committee, Joan Chase and Russ Paul of ECD met with four Saskatchewan based agri-businesses.
4. SAF retained a consultant to meet with 15 in-province agri-businesses.
5. The ACRE coordinator solicited written submissions from the general public, several of which spoke directly to value-added.

Questionnaire

32 agri-value sector surveys were returned from the following individuals/organizations:

1. Agricola Consulting Inc.	2. Arborfield Dehy Ltd.
3. Biorginal Food and Science	4. Crown Ag International Inc.
5. Drake Meat Processors	6. Durafibre
7. Eagle Creek Colony	8. Farm Woodlot of Saskatchewan
9. Great Western Brewery	10. Harvest Meats Co.
11. Heartland	12. Heartland Feeds
13. InfraReady Products Ltd.	14. Kitsaki Meats
15. Last Mountain Berry Farms Inc.	16. Maple Ridge Farms Inc.
17. Michel's Industries Ltd.	18. Newfield Seeds Co. Ltd.
19. Popowich Milling	20. POS Pilot Plant Corporation
21. Prairie Berries	22. Robin Hood Multifoods Inc.
23. Sask. Food Processors Assoc.	24. Saskatchewan Meat Processors
25. Saskatchewan Wheat Pool	26. Sask. Llama Assoc. Wool Pool
27. Star Egg Co.	28. T.W. Commodities
29. Urban Forest Recycling	30. Velvet Independent Processors
31. Anonymous	32. Anonymous

The questionnaire asked numerous questions dealing with the main categories of attitude, leadership, business climate, infrastructure, research and development, food safety, communication and image.

A short summary of the demographics from the questionnaire responses follows.

Business Location

Regina:	1 response
Saskatoon:	8 responses
Rural Sask.:	20 responses
Anonymous:	3 responses

Gender

Male:	26 responses
Female:	6 responses

Age

18 - 30:	1 response
31 - 45:	18 responses
46 - 60:	13 responses

Out-of-province meetings

Brad Wildeman was accompanied by Maryellen Carlson, Russ Paul and Gord Nystuen (Deputy Minister of Saskatchewan Agriculture and Food) in meetings with 7 agri-businesses located outside of Saskatchewan. All of these businesses have a presence in Saskatchewan, but their head office is located out of province.

Members listed above met with the following companies:

- Centennial Foods, Calgary
- Westons, Calgary
- X-L Foods, Calgary
- Premium Brands, Vancouver
- Omnitrax, Denver, Colorado
- Encore Gourmet Foods, Montreal
- Robin Hood Multi-Foods, Ontario

In-province meetings

Joan Chase and Russ Paul visited four small and emerging value-added companies in Saskatchewan:

- Wise Owl Herb Co. Ltd., Unity
- Saskatoon Organics, Saskatoon and Warman
- Prairie Berries, Keeler
- Maple Ridge Farms Inc., Prince Albert

The discussions with these companies focused around the themes of marketing, finance, strategic alliances, product development and future opportunities.

In-province meetings

SAF also hired the consulting firm Cyrojus Management Inc. to conduct meetings with 15 in province agri-businesses. Mr. Oswald Henry developed an interview guide that related closely to the ACRE questionnaire, but allowed individuals to elaborate on issues and impediments. Mr. Henry met with the following organization:

Biorginal Food and Science	Lilydale Foods, Wynyard
InfraReady Products Ltd.	Drake Meats
Urban Forest Recycling	Prairie Malt
Arborfield Dehy Ltd.	Meyers Norris Penny
Crown Ag International Inc.	McKercher & McKercher
Heartland Feeds	Arborfield Dehy
POS Pilot Plant Corporation	O&T Poultry
Velvet Independent Processors	Popowich Milling
Last Mountain Berry Farm	Growers International
Harvest Meats	

Written Submissions

Finally, there were 61 written submissions to ACRE, 13 of which had direct comments for the agri-value sector. All of these comments were from individuals instead of businesses and 11 of them were from rural Saskatchewan.

acre

ACTION COMMITTEE ON THE RURAL ECONOMY

Community in Evolution Subcommittee Report

October 2001

Linda Pipke (Chair)
Raquel Moleski (Vice-Chair)
Elwood Harvey
Lorne Johnson
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INTRODUCTION

Communities are the backbone of the social and economic viability of rural Saskatchewan - the foundation upon which our future rests.

The Community in Evolution Sub-Committee focused its efforts on:

- analysis of issues and trends in rural Saskatchewan,
- development of a picture of what our communities will look like in 10-15 years, and
- development of strategies that will ensure strong, sustainable, vibrant rural communities.

Overview

The Community in Evolution Subcommittee was mandated to develop strategies that will ensure strong, sustainable, vibrant rural communities. The subcommittee consulted, researched, analyzed and sought technical expertise to gain a thorough and comprehensive understanding and picture of rural Saskatchewan communities "today". A variety of rural Saskatchewan residents, community groups and organizations were invited to make presentations. A survey was conducted in conjunction with the Rural Service Sector Subcommittee on strengths, weaknesses, opportunities and threats regarding rural communities and the rural service sector. The feedback from all of these venues was integral to the development of our recommendations and wherever possible, we have tried to incorporate that feedback in our report.

The subcommittee also retained the services of Doug Elliott from Sask Trends Monitor, to undertake in-depth research and analysis on community trends. Several of Mr. Elliott's findings are cited in this report.

It was apparent from our findings that "status quo" was not part of the solution and the subcommittee's recommendations are reflective of this message.

No one factor can be pointed to as the cause of rural decline. They are all interconnected; that is to say, each factor is dependant on the other, e.g. infrastructure, social programs or business, to sustain and grow rural Saskatchewan.

Government is being asked to change the way in which it works with rural Saskatchewan. Communities want the erosion of their infrastructure and services to stop. Rural Saskatchewan cannot grow and diversify without them. They want Government to set in place a comprehensive long-term rural strategy and action plan, and they want to be engaged and involved from the grassroots level. Rural Saskatchewan needs sustained commitment. Finally, they want Government to deliver a message that community development will be supported in Saskatchewan. Rural Saskatchewan cannot prosper without addressing a community's economic, environmental and social needs in unison.

RECOMMENDATION SUMMARY

I. Rural Opportunities

That the provincial government will:

a) Develop and implement an on-going and long-term (20 years) rural strategy and comprehensive action plan that focuses on all sectors and utilizes the strengths in rural Saskatchewan.

b) Create a Rural Opportunities Office (Rural Revitalization Office be renamed the Rural Opportunities Office) to work with rural Saskatchewan (an ACRE-type broadly based process) in developing strategies and action plans.

The Rural Opportunities Office will:

- be accountable to rural Saskatchewan,
- serve rural citizens through the mechanisms of policy, service delivery, and investment with a "one stop, no wrong door" approach,
- champion rural issues and initiatives, e.g. infrastructure, economic and community development, health, education, etc., to ensure departments work together to minimize red tape, barriers and to address overlap and duplication, and,
- lead by:
  - pulling together a cross-departmental team to work with rural people on initiatives and issues,
  - developing a cross-departmental funding strategy and sourcing the funds,
  - implementing the funding strategy to enable common table/forums at the regional level (Opportunity Regions) and provincial level (ACRE-like group), and,
  - providing a toll free telephone access, developing its own website with an interactive, comprehensive data base, which co-ordinates, integrates existing data, and fills any identified database gaps.

II. Co-ordinated Services

That the provincial government will:

a) Encourage and enable the emergence of "Opportunity Regions" from the grassroots in rural Saskatchewan to alleviate the mulitiplicity of regional boundaries and to foster community development by:

- providing incentives for collaboration and coordination,
- stopping the erosion of government delivered services from rural areas while this process evolves,
- working with the existing grassroots organizations (REDAs, West Central Municipal Government Committee, Mid Lakes Community Coalition and other grassroots regional groups) to establish "Opportunity Regions", and,
- aligning all regionally delivered provincial programs and services with the grassroots "Opportunity Regions"

To encourage and enable this regional process, the following stages were identified and must occur concurrently at both the regional and provincial levels:

Stage 1:

Role of the "Opportunity Region":

- lead and utilize what is working now, to identify common issue/region,
- develop and/or build on common tables/ forums, and,
- encourage involvement from all social, economic and environmental departments, agencies, and groups/organizations, etc.

Role of the Provincial Government/
Rural Opportunity Office:

- provide incentives and on-going technical support to encourage and enable common tables/forums through utilization of what is working now.

Stage 2:

Role of the "Opportunity Region":

- utilize common tables/forums to provide community development programs, services, and enable inter-community and municipal co-operation,
- use the Rural Opportunity Office (ROO) to coordinate social, economic, and environ-mental development across government departments/ agencies, and,
- become a common holistic (social, economic and environmental) region for service delivery co-ordination through common boundaries and government collaboration by 2005.

Role of the Provincial Government/Rural Opportunity Office:

- utilize the "Opportunity Regions" through the Rural Opportunity Office (ROO) to build on, modify, and expand regional structures to deliver holistic community development (social, economic and environmental),
- provide on-going government support to enable common table approaches and service delivery at the "Opportunity Regions" level throughout the province,
- realign government departments and agencies on the same regional basis as the "Opportunity Regions" (moving to more common boundaries for a responsive means of service delivery), and,
- ensure government departments and agencies utilize the "Opportunity Region" to enable coordinated service delivery by 2005 (all government departments will align resources to match identified needs of each region).

III. Financial Support for Community Development

That the provincial government will:

a) Establish the "Saskatchewan Opportunities Foundation" in a partnership between government and rural Saskatchewan. This enables government to support business and development in the province. It will transfer the decision-making for business and community development funding programs to the Foundation. It requires that government maintain a leadership role in: research and development, technical expertise, and long-term sustainable funding by:

- Entering into a long-term, on-going (20 year plus) agreement (in alignment with GDP recommendations and projections) to help fund the Saskatchewan Opportunities Foundation. The fund will be established through the public funds including new monies, PST revenue and the consolidation of current provincial funding programs, and private investment/tax credits. Government will identify funding programs from all departments that fit within the goals and objectives of the Foundation and transfer the monies for those programs to the Foundation in order to significantly streamline the funding process.
- Operating the Foundation as a self-perpetuating, long-term, patient entity that is removed from the politics of the day. Significant financial commitments will be required from government during the start-up years. A broadly based board of directors, representing the diversity of community and regional stakeholders, will manage and administer the Foundation. The Foundation will be at arms-length from the government.

Saskatchewan Opportunities Foundation

Goal:

- To effect sustainable community development in Saskatchewan

Objectives:

- To provide one-stop point of access for individuals, businesses, and community organizations in need of funding assistance.
- To support community development.
- To recognize that there are times when rural businesses require a greater percentage of assistance due to a larger number of obstacles—offers a hand up not a hand out.
- To assess applications based on their "social", "economic" and "environmental" contributions to the community and/or labour force development.
- To provide quick turn around on funding decisions.

- To tailor funding based on the need of the business or community group rather than program criteria. Overarching principles such as community support, viability, public good, accountability and past performance will be considered.

- To provide the business and/or community organization with continuity. (Foundation is aware of background and the next stage in development versus applying to various government departments.)
- To maximize federal funding due to third party status.
- To maximize private investment through various tax incentives.
- To provide on-going, long-term sustainability.

Types of Funding:

The Foundation will offer multi-faceted levels of funding, including:

- Grants for supporting existing, new or expanding businesses that could include:
  - feasibility studies,
  - business planning,
  - development of marketing plans/ implementation industry strategies, e.g. tourism,
  - Specific infrastructure required for business development (e.g. Manitoba Rural Economic Development Initiative (REDI) - Infrastructure Program) to assist communities to improve sewer, water, energy services, transportation access, waste disposal facilities, telecommunications, and,
  - transitional funding with flexibility around the percentage of eligible funding. Greater support will be given to those applications that fit within a community's/region's strategic plan for supporting new or expanding businesses.

- Loan Guarantees for business loans and capital costs for new or expanding full time small and home-based businesses. The loans would be offered and administered by banks and credit unions at an interest rate of prime plus 1%. Conditions of a matching component and a requirement for applicants to attend business seminars would be attached.
- Repayable Loans that offer financing to "high risk" businesses who wouldn't otherwise qualify for traditional loans and allows for flexible repayment terms that aren't necessarily structured around monthly installments.
- Scholarships and Bursaries - support training for jobs. Funding would be provided to businesses to pay a portion of training costs for small businesses with a tied commitment of the employee to stay in a job for a certain period of time (an apprenticeship type program). These training dollars would not be tied to entry-level positions. It would assist companies in enhancing skills of current employees. Similarly, it would also be used as a mentorship program for youth. Assistance would be provided to cover a portion of the youth's training in return for a tied commitment for return service.
- Grants for Leadership Training (see recommendation 7).
- Leadership training, as delivered through the Leadership Saskatchewan program, develops leaders that are able to step forward and lead in developing a long term vision, initiate projects and see them through to completion, thereby, leading to long-term viability for their community. It can revitalize volunteerism in communities. It enhances communication in a region, leading to collaboration to address regional issues and/or accomplish regional projects. As communities dialogue and work together on the modules, issues and community based projects. Leadership training can create a bridge between Aboriginal and non-Aboriginal people and communities by developing an understanding of cultural differences and commonalities.

IV Health/Emergency Services

That the provincial government will:

a) stop the erosion of services and ensure essential health and emergency services are available in rural communities to sustain and enable development.

b) Provide funding to:

- match municipal contributions for emergency and fire protection equipment, telecommunications systems and GPS systems,

- ensure comprehensive 911 linkages to good, coordinated, dispatch services with GPS services for fire protection and emergency response,
- provide funding for adequate training for firemen, First Responders, and other rescue personnel for rural communities.

The following factors must be considered in providing these services:

- industry development,
- business growth and expansion,
- commuting population - traffic volumes/ transportation of dangerous goods, etc.,
- location of closest primary/acute facilities, health centres, ambulance services, etc., and,
- demographics (population would not be the only factor considered).

c) Integrate fully the economic and social impacts affecting rural Saskatchewan into a health strategy in order to support the growth of the new rural economy (e.g. GDP menu options). A planned transition is critical to services such as good emergency health services, community based health services, home based health services, and adequate 911 response.

d) Involve all rural residents, including First Nations, in the development and maintenance of rural health programming and services.

e) Implement a province-wide 911 system immediately. Global positioning needs to be used with such a system and all mutual aid agreements must be in place and kept current. Adequate signage must be provided and maintained in rural areas to facilitate emergency response.

V. Education Grants/Property Tax

That the provincial government will:

a) Retain but reduce educational funding from the property tax base. The resulting reduction in local revenue must be provided from general provincial revenues.

b) Immediately complete the education system funding review — the Foundation Operating Grant process is not working.

VI. Working Together with Aboriginal Peoples

That Government and communities will:

a) Work cooperatively with and build partnerships at all levels with Aboriginal peoples (First Nations, Metis and Non-Status).

- Meet with Aboriginal peoples and foster a shared understanding of our visions, and,
- Develop working relationships and partnerships with Aboriginal communities on rural community development issues.

VII. Leadership Training

That the provincial government will:

a) Provide funding for community-based leadership training initiatives through targeted grants under the Saskatchewan Opportunity Foundation. A comprehensive, broad based, ongoing approach is needed.

That all levels of government and other sectors will:

a) Promote and enable leadership training which:

- utilizes and builds on existing models and programs,
- is comprehensive (beginning to advanced training),
- is flexible to meet local needs. (e.g. past programs such as Co-op College training and present programs such as Leadership Sask),
- is accessible through a variety of delivery modes,
- is available to schools, clubs, community groups, businesses, local governments, First Nations, Metis Nation, and community organizations, and,
- is accessible on a community and regional basis.

VIII. Diversity of K-12 Education

That the people of Saskatchewan will:

a) Develop a vision of public education that promotes a broad liberal education at the secondary level, ensuring post- secondary institutions have a vision of specialized education.

b) Adopt the philosophical structure of community schools in rural education systems as outlined by Saskatchewan Education. As a hub for a network of community organizations, community schools can foster the development and well being of the entire community.

That post-secondary institutions will:

a) Change post-secondary requirements (real and assumed) to reflect the vision of public education. (e.g. calculus, 7 sciences).

IX. PST Revenue for Rural Development

a) Amend the PST legislation to direct 5 of the 6 provincial tax points collected in urban Saskatchewan to the general provincial revenue and 1 provincial tax point to the Saskatchewan Opportunities Foundation.

b) Amend the PST legislation to direct 2 of the 6 provincial tax points collected in rural Saskatchewan to the general provincial revenue, 2 provincial tax points to Saskatchewan Opportunities Foundation and 2 provincial tax points back to rural business and community.

BACKGROUND

The goal of ACRE is to build a network of strong, dynamic rural communities all across Saskatchewan - communities that can grow and prosper through a sustainable rural economy. The overall ACRE mandate is to act as a catalyst for exploring and generating innovative ideas for government and for industry that will address the challenges and the opportunities for sustainable economic development that could emerge from the changes that must occur in rural Saskatchewan.

The Community in Evolution Sub-Committee (see Appendix A for list of members) is one of eight action areas of ACRE formed to identify opportunities for government action to strengthen the rural economy of Saskatchewan.

The subcommittee conducted its meetings throughout the province in order to facilitate presentations from rural groups and individuals. The subcommittee held meetings in Watrous, Eston, Kenosee Lake, Fort Qu'Appelle, Humboldt, Davidson, Regina and Saskatoon (Appendix B). The subcommittee retained expertise to prepare a statistical report, Saskatchewan Community Profiles (Appendix C), to provide factual information and analysis on community trends from a variety of perspectives including, for example, demographic income and industry trends. As well, the subcommittee, in conjunction with the Rural Service Sector subcommittee conducted an analysis of rural Saskatchewan that identified strengths, weaknesses, opportunities and threats (SWOT-see Appendix D). The subcommittee also reviewed the reports and submissions of five other subcommittees.

The mandate of the Community in Evolution subcommittee is to provide a picture of what is happening in rural Saskatchewan other than on the farm. Questions and issues that were examined included the following:

- what is the current population and economic situation of our communities in rural Saskatchewan and how has that changed over time?
- given these trends, what will our network of communities look like in 10 to 15 years, and will they be able to adequately serve our efforts to maximize rural development?
- what can be done to ensure that social issues such as retaining youth and maximizing the opportunities for a growing Aboriginal population are addressed?

Many of the recommendations bear similarity to past recommendations, just as many of the issues are similar to those of past discussion forums. There are some significant trends to indicate that the situation has worsened. During the late 70s, throughout the 80s and into the 90s, rural Saskatchewan was seen to be those areas outside of

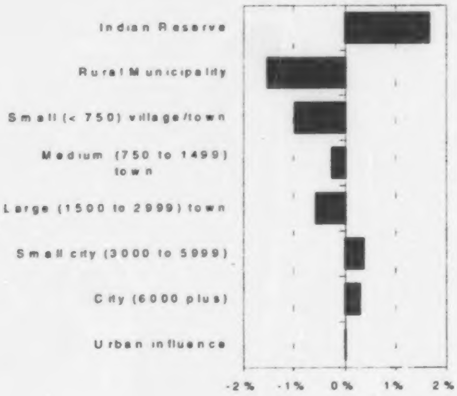
Saskatchewan's 10-12 cities; today, we are defining rural Saskatchewan as those areas outside of Regina and Saskatoon. Rural residents used to talk about how to keep people from moving to the cities; today, we are a province that is concerned about keeping people in Saskatchewan. There has been a general and steady deterioration of rural services. These trends must be reversed. The majority of the smallest of the rural communities will almost certainly decline in size but the larger communities have an opportunity to grow.

The challenge facing ACRE is grounded in demographic and socioeconomic realities. The rural population of Saskatchewan was approximately 550,000 persons in 1996 - 55% of the provincial population. Rural Saskatchewan is defined by excluding the population in the far North and in or near the Cities of Regina and Saskatoon. The population in rural Saskatchewan has been declining, on an almost continuous basis, since the 1950s.

Where are we now?

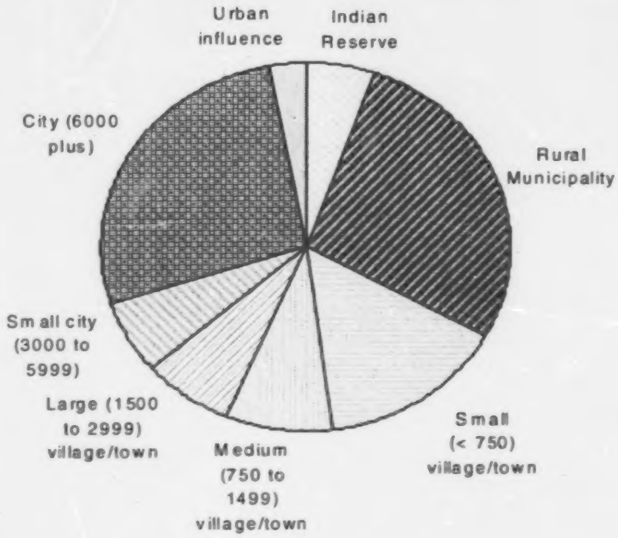
The current population decline follows a historical pattern of young people growing up on Saskatchewan's farms and in small towns and villages and then leaving for urban areas.

"Although there are exceptions, communities with smaller populations are declining more quickly than communities with larger populations." (Average Annual Population Change-1981 to 1996)



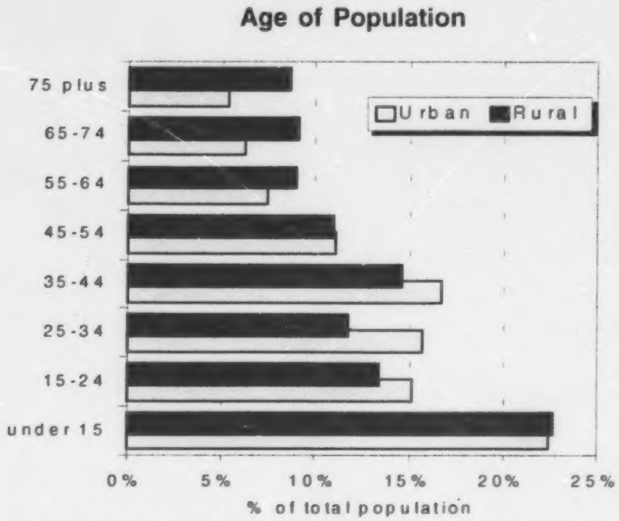
Characteristics of current population of rural Saskatchewan

- An older non-Aboriginal population
- A young and growing Aboriginal population
- Lower levels of education and income
- A high dependence on government transfer payments
- A declining level of public services
- A declining service sector in small communities
- A decline in the economic activity of rural communities

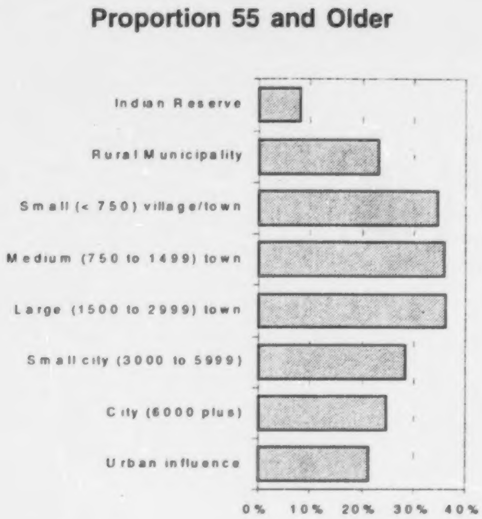


Distribution of Population in Rural Saskatchewan (1996) shows the two extremes. "As a percentage of the rural population, 44% of residents live in rural municipalities or small villages/towns population under 750). At the other end of the scale, 33% live in communities with a population of 3,000 or more."

"Rural Saskatchewan has, relative to urban Saskatchewan, an older population. In 1996:


Age of Population

40% of the population was in the 15-44 age group compared with 48% of the urban population.


Proportion 55 and Older

27% of the population was 55 years and older compared with 19% of the urban population.

What if we don't move forward?

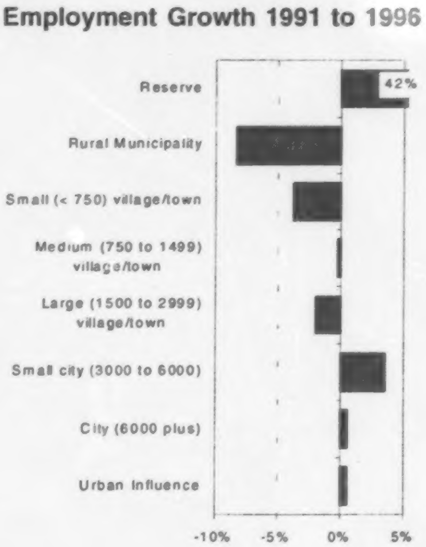
In examining the trends, studying reports and talking to rural people it is evident that the "status quo" is unacceptable. If the present trends continue, the rural population of Saskatchewan will continue to decline at a rate of nearly 1% per year.

While our committee has found evidence that larger communities in rural Saskatchewan tend to prosper, albeit at the expense of smaller communities in the surrounding area, there is evidence that a number of small communities are not following this trend. Smaller communities in rural Saskatchewan can grow, attract new industries, and retain young families. Population decline is not inevitable.

What do we need for the future?

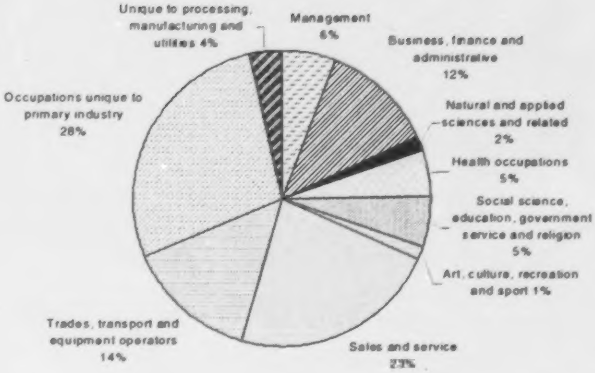
If we look at the future of communities in rural Saskatchewan in a scenario that involves commitment, investment and growth, we see communities characterized by:

- Diversified economy: processing, tourism, agriculture, etc.;
- Diverse population with a positive quality of life;
- Positive, proactive, co-operative, collaborative, regional approach to community development; and
- Sustainable education and health services in the community - the school as the centre of the community.


Employment Growth 1991 to 1996

"Employment is arguable the most important economic indicator for the health of the rural population. The employment rate has been effectively constant in the 1980s and 1990s, confirming the view that community populations rise and fall with the availability of work. This is also confirmed by the finding that the youth employment rate in rural Saskatchewan is higher than the overall employment rate."

"Employment by Experienced Labour Force Occupation Group, Rural Saskatchewan, 1996 "shows the occupation breakdowns by rural community type...the occupational mix within industry groups is similar in rural Saskatchewan to the one in urban Saskatchewan..."



WHAT WE HEARD:
Rural Saskatchewan has many strengths…

….the Aboriginal population, one half of whom live in rural Saskatchewan, are a relatively young population that is **poised to contribute to the social and economic life of the province in a more significant way.**

…the ability of Saskatchewan farmers to find a way to provide the family's income on 1,000 acres of farmland should not be discounted.

…a number of small communities are not following the pattern **of declining population.**

These exceptions show that even smaller communities in rural Saskatchewan can grow, attract new industries, and retain young families. Population decline is not inevitable.

The recommendations of our subcommittee build on rural Saskatchewan's achievements; the members of the subcommittee are firm in the belief that if implemented, these recommendations will enable rural communities to achieve social and economic prosperity.

It is time for action.

RURAL OPPORTUNITIES

Background

A key strength of rural Saskatchewan identified through SWOT (strengths, weaknesses, opportunities and threats) analysis was that it is an attractive place to set up a business. An innovative work force is available with a good work ethic and a multiplicity of abilities. By their nature farmers tend to be multi-skilled and many farmers and farm youth are seeking off farm work.

A further strength of the rural economy is the abundance of natural resources found in Saskatchewan. Advantages include an abundant supply of agricultural products, numerous tourist attractions and an abundant supply of inexpensive land. The agricultural sector is a potential source of strength for rural Saskatchewan.

In subcommittee consultations, working through government regulations was identified as a key concern for development project proponents in rural Saskatchewan. The current system is complicated and confusing for those working on projects. Lengthy response time is an issue. A pathfinder assistance and/or service is required, based on a coordinated team approach, that would assist clients in working through multi-level government bureaucracies and agencies. This service must respond quickly to rural development initiatives and find creative solutions for unique issues.

It is time for action.

***WHAT WE HEARD*:**
…many successful projects had some key government support—someone in the bureaucracy who was in a position to support the project and facilitate the process.

CO-ORDINATED SERVICES

Background

Over the past decade, there has been a significant change in the way in which programs and services have been delivered in rural Saskatchewan. Regional planning, co-ordination and delivery has been encouraged by the provincial government as a way of eliminating duplication and achieving fiscal stability. However, for each provincial regional structure, there has been the introduction of a different regional boundary, e.g. Tourism regions, Area Transportation Committees, Health Districts, Regional Colleges, Social Services, ADD Boards, Crop Districts, REDAs, etc. The provincial government departments have not collaborated and coordinated with one another on their own regional service delivery. This multiplicity of provincial regional boundaries is creating major problems in development and delivery of services within rural areas. As a result:

- there is confusion, frustration and isolation at the local community level,
- development of a common, regional, co-operative, and holistic approach to the delivery of programs and services has not taken place,
- there is an inefficient service delivery system with different agencies and individuals working at cross purposes;
- programs and services (e.g. health, social services, education, tourism, highways, agriculture, economic, etc.) are fractured and eroded
- population figures are used as a base measure for the level of service delivered but each service uses a different population base, and,
- depleted rural population numbers have caused an erosion of services.

There has been a great deal of discussion around common boundaries, but this cannot be achieved until government departments align themselves with the grassroots regional boundaries that have been established.

The Regional Economic Development Authorities (REDAs) were the first organizations that were supported in defining their own grassroots regional boundaries. This grassroots process is not perfect.

WHAT WE HEARD:
...Why do we have different boundaries for health districts, school districts, REDA's, area transportation, social services, highways, tourism districts, regional colleges, ADD Boards, crop districts, emergency services (911 and fire districts), etc.?
...Has anyone given any thought to the negative social, economic, and environmental impact on rural development issues? – at the provincial, municipal, or any other level?
...We do not want to create another level of government or bureaucracy.

There are some areas in the province where the REDAs have not been perceived as fulfilling their mandates.

In an attempt to deal with common regional issues, problems or concerns various regional common table forums have emerged or are in the process of developing. To enable total, sustainable community/ regional development (social, economic and environmental) the forces of these common table forums where they exist must be utilized, expanded and strengthened. Motivation: "we can do more together than we can separately."

The emergence of these common table forums has brought to the forefront the restrictive mandate of the REDAs. They are lacking the broader mandates of community development that goes beyond the economic aspects and encompasses the social and environmental aspects that are required to enable total, sustainable community/ regional development to occur.

All service delivery sectors (e.g. health, education, social services, transportation, etc.) cannot continue to work in isolation. To ensure total sustainable communities in the future, participation from all sectors is imperative to the common table process.

Throughout the consultation process one fundamental principle has been reinforced: any move towards common boundaries must be grassroots driven. Another level of regional authorities is not being recommended. There is a desire to work with the existing grassroots organizations that have been established voluntarily (REDAs, West Central Municipal Government Committee, Mid Lakes Community Coalition and other grassroots organizations) to encourage the development of common regional forums called "Opportunity Regions". These would emerge through the discussion of common issues between all of the regional authorities. The following elements are seen to be key factors in developing the "Opportunity Regions":

- RM boundaries
- trading areas
- population
- those regions currently working together
- geography
- creating an identity that is associated with an area or a region and not a particular town or city
- involvement of municipalities, school divisions, health districts, Aboriginal groups (including First Nation governments, tribal councils, Treaty organizations, Metis Regions), regional colleges, libraries, area transportation committees, social services, etc.

Primarily, the new "Opportunity Regions" would be an enhanced mandate of the existing REDAs, although, not necessarily in all regions. It is anticipated that there would be relatively the same number of "Opportunity Regions" as the existing REDA regions. Existing municipalities would retain their current boundaries.

The emergence of "Opportunity Regions" will require incentives from government to allow the collaboration and coordination to take place at the regional level.

It is time for action.

WHAT WE HEARD:

...We need to bring the social issues together with the economic issues. Many communities are dealing with a multiplicity of services even within provincial government services (providers are often unaware of each other's involvement). It is very difficult to deliver service within the current structures.

...some regional forums are starting to evolve through voluntary participation like REDAs, why don't we build on their strengths?

FINANCIAL SUPPORT FOR COMMUNITY DEVELOPMENT

Background

There is a gap in funding for community projects.

There has been a significant demand for project funding in rural Saskatchewan. However, the grant dollars made available have tended to be inadequate, targeted and somewhat inflexible. Rural residents have put forward many excellent project ideas — implementation is limited by minimal access to appropriate funding.

The winding down of the Partnership on Rural Development Program (PARD ended March, 1998) and more recently the Partnership on Water Based Economic Development Program (PAWBED ended December 1999), that were shared between the federal and provincial governments, has left a gap in funding for community projects.

The Canadian Adaptation and Rural Development in Saskatchewan (CARDS) Program has a limited mandate and is unable to fund non-agriculture rural projects.

In an analysis of strengths, weaknesses, opportunities and threats of Saskatchewan communities undertaken by ACRE, strong support was expressed by municipalities, non-governmental agencies, the business sector and individuals for an increase in Government funding to facilitate development projects.

WHAT WE HEARD:

..."there are problems with the Securities Commission (ie. "Close Friends and Associates" regulations and Community Venture regulations) – restrictions of raising funds within a specified distance of the project ...many lending institutions have made it extremely difficult to raise capital for medium to large size projects."

...often times the "social" agenda (impact on people in the community) gets overlooked when government funding decisions are made

...a business or community project must apply to several different programs during its development and start up phases. Businesses and community groups don't know where to start—the magnitude of programs is overwhelming. Where do they start? How do they fit in? Do they qualify? What is required of them (community/business)?

...lost opportunity and jobs due to government's inability to be flexible on its funding program criteria.

...Government programs rise and fall with the politics of the day negating any long term planning and sustainability.

...politics and business investment do not mix consequently government is reluctant to get involved in direct investment.

...access to federal funding is precluded on some projects as provincial matching is not eligible.

...Government has directed more resources at cities than rural Saskatchewan.

Generally, it was identified that:

- access to capital for all projects is a problem,
- longer term, "patient" capital is required,
- funding lacks flexibility (e.g. "why do I have to match the project to the program criteria in order to be considered for funding?" or "program criteria falls short of meeting what the project requires"),
- transitional funding (e.g. switching to organic) needs to be available, and,
- timely response is required.

Manitoba has a similar program - the Rural Economic Development Initiative (REDI) that annually receives $17,750,000. The monies are directed towards such things as rural entrepreneur assistance, loan guarantees, infrastructure for business, feasibility studies, etc. The fund is also used to attract special or strategic projects through the provision of cash incentives.

WHAT WE HEARD:

...."Economic incentives to business are also favored. It is apparent that businesses and associations realize that the financial resources available in rural Saskatchewan today are not sufficient to enable the economy to revitalize on its own."

...mentorship programs are needed to retain youth.

...apprenticeship programs are needed for all ages to assist small businesses with training costs.

..."a written submission to ACRE recommended "government **guarantee** investments to encourage investment in rural Saskatchewan."

...This type of guarantee has proved to be effective in other jurisdictions such as Manitoba and North Dakota. In North Dakota such loan guarantees have been used extensively to promote New Generation Coops.

HEALTH/EMERGENCY SERVICES

Background

Lack of health services and uncertainty about access to health care services such as primary health care, home care emergency services are a major concern for rural Saskatchewan residents. People need to know what health services they can be assured of receiving within their rural communities.

Success breeds success. Successful industries in a community attract other support industries. It is next to impossible to attract quality industries, associated support industries, and to maintain existing ones, without essential service delivery.

Key considerations which must be factored into the delivery of health and emergency services, as opposed to using only population figures as a predictor of service needs, are:

- development of industry,
- the needs of seniors,
- the needs of families relocating to rural areas, and,
- the needs of rural schools in relation to health services.

Development can only happen with the assurance that adequate health and emergency services are in place within rural communities. Lack of equitable emergency services is a limiting factor in attracting development, maintaining on-going businesses and retaining the population base. Development will not happen without assurance of health/ emergency services being in place.

Further reform in the health care system could have further critical impact on the rural sector. Service provision based only on current population statistics would continue to deplete all health and emergency services. A meshing between industry development, economic, social and environment planning must happen to ensure the sustainability of rural Saskatchewan.

Another issue relates to First Nations in the health sector in rural Saskatchewan. There needs to be dialogue about relationship building among the health jurisdictions in rural Saskatchewan. First Nations are very important users of rural health services but play a limited role in the development and maintenance of health programming and services.

A further major concern was raised regarding the absence of a viable 911 system. Implementation of 911 services was initially announced in 1996; extensive work has been done on the system since 1998. While the entire south area of the province from Swift Current to Weyburn/Estevan and a small area around Prince Albert have been hooked up to

WHAT WE HEARD:

...health and emergency services within rural Saskatchewan are critical to:

- industry development
- families locating into rural areas
- seniors staying in rural communities
- business growth and expansion in rural communities
- K – 12 school survival in rural communities
- Labour force development in rural areas

...need to consider rural and remote health indicators beyond acute care services.

...need to consider social services, amount of industry, population, etc.

...a lot of health dollars have been spent on the Saskatchewan Health Information Network without seeing any results

...health care needs have to be determined at the regional/local level. Existing needs assessment is not adequate. (e.g. emergency services for outlying areas.)

911 service (and the northern area as a whole is targeted for completion in 2001), the remaining Saskatoon and Regina regions are targeted for completion by the end of 2002. Coordination delays are identified as the main reason for the system not being fully implemented to date. All municipalities and districts need to be consulted to make sure all areas have the required services. Some areas do not have dispatch services and some areas do not have fire departments. Most fire departments are volunteer or a combination of paid and volunteer. Some areas have first responders and fire services-that alone is not adequate.

Comprehensive emergency services must be available to all for 911 to function. Saskatchewan needs to know what areas have mutual aid services; dispatchers are needed—with current information. Coordinated 911 services are contingent on dispatch, police, fire protection, ambulance and first responder services. At present the closest service is not necessarily dispatched.

Some municipalities have expressed concern about their ability to provide emergency services when their taxpayers already face significant taxation levels. The municipal tax base in rural Saskatchewan is not able to sustain emergency services. Access to equitable emergency services is an essential element in creating a vibrant and sustainable rural Saskatchewan.

Rural communities (local government, industry, business & service organizations) need to be involved in determining the true health and emergency "needs" (not wants) of each community within a district.

It is time for action.

WHAT WE HEARD:

...Some rural industries within the Province have a large commuting workforce from larger centres out to the smaller community (i.e. St. Brieux, Annaheim, Englefeld, Lanigan). This causes these smaller communities to have a much larger population by day then they do by night (i.e. St. Brieux; 1000 by day, 500 by night). As well, the commuting workforce does not contribute to the financial component of equipment for emergency service provision within that community (i.e. rescue units, fire trucks, first responders, etc). These services cannot be totally relied on through a volunteer system or through only municipal contributions.

... industry (manufacturers) there is potential for accidents at a much higher rate than within some other types of business. These accidents could be due to machinery use, travel (commuting to and from the workplace), the use of dangerous goods causing explosion, etc. Workers Compensation premium rates throughout industry are based on these factors.

...This fact holds true as well throughout farming. Farm accidents through machinery use and the moving of farm implements on the roadways creates the potential for more serious rural accidents to occur. With fire protection services it is a known fact that there are more farm fires within the province then there are fires within rural communities.

EDUCATION GRANTS/PROPERTY TAX

Background

The property tax contribution is no longer sustainable in connection with education funding and municipal requirements.

Rural Saskatchewan believes that local control of education is important and must be retained. At the same time, all residents of Saskatchewan retain some responsibility for the funding of the K-12 system and as such, local education funding should not rest solely on the property tax base.

> ***WHAT WE HEARD:***
>
> …municipal governments have become "everything to everybody". Their only means of funding is through an extremely reduced transfer payment from the province and their ability to collect property tax. They juggle their portion in order to not impose huge increases to the property owner because of the large education portion. This financial challenge has impacted their ability to support regional parks, regional libraries, infrastructure needs, tourism initiatives, REDAs, regional waste management systems and economic development initiatives

The Department of Education Foundation Operating Grant (FOG) provides the provincial share of operating revenue for K-12 education.

The ability of a school division to raise revenue locally is presently measured by its local property tax assessment base multiplied by a provincially determined equalization factor. To the extent that a school division's local fiscal capacity is increasing, its grant will be lower. Hence to date at least 15 rural school divisions no longer receive any provincial funding under the Department of Education Foundation Operating Grant.

> ***WHAT WE HEARD:***
>
> …there is too much reliance on the property tax base to pay for education as well as municipal services. As the provincial government has downloaded onto the municipalities and school divisions, the property tax base has been used to make up much or all of the difference.
>
> …Use an income based tax or part of the PST to help fund education –reduce the reliance on the property tax base for education funds - it would be more equitable - more people pay income tax or PST than strictly property owners.
>
> …municipalities are unable to afford proper maintenance, or renewal of infrastructure since provincial revenue sharing has been reduced significantly and education has had to increasingly rely on the property tax to recover the provincial proportion of the education funding that has been reduced.

It is obvious that the goals of FOG that were viable at the time of its development are no longer feasible or reasonable in the twenty-first century.

The provincial proportion of the educational funding has been reduced or eliminated over time, forcing school divisions to rely on the property tax base. Coupled with reduced revenue sharing to municipalities from the province, this has intensified the pressure on the property tax base to the critical breaking point (e.g. tax revolts, non-payment of taxes and forfeiture of property).

It is time for action.

WORKING TOGETHER WITH ABORIGINAL PEOPLES

Background

The Aboriginal population is an important and growing component within the provincial population. The demographic and socioeconomic characteristics of the Aboriginal population are distinct so it is important to take these differences into consideration when examining community populations.

Approximately one half of the Aboriginal population lives in rural Saskatchewan. The highest proportion of Aboriginal people tend to be in communities near reserves (e.g. Fort Qu'Appelle and Meadow Lake) or large centers (e.g. North Battleford, Prince Albert).

The treaty relationship needs to be considered in the relationship between communities. This will be a significant influence on rural Saskatchewan. Connections are needed with and among federal, provincial, First Nations and local governments.

It is time for action.

WHAT WE HEARD:
…there is an opportunity for partnerships between communities and Tribal Councils to strengthen economic and educational opportunities
…First Nations are becoming more economically strong

LEADERSHIP TRAINING

Background

Given the depopulation across Saskatchewan and the demand for developing a diversified economy throughout rural regions, there is a clear and present need to develop community leadership capacity. Two things are happening in rural Saskatchewan:

- we are losing our youth and our future leaders, and,
- the current leadership is aging, moving and retiring.

This has created a leadership void both now and for the future. The subcommittee firmly believes leadership training must be provided at a much younger age through the school system and youth programming. As well, community based leadership training must be made available for all residents.

For example, the Saskatchewan Council for Community Development (SCCD) provides community-based leadership development courses for communities. Leadership Saskatchewan (SCCD initiative) has proven to be a successful model of community based leadership.

Leadership training, as delivered through the Leadership Saskatchewan program, develops leaders that are able to step forward and lead in developing a long term vision, initiate projects and see them through to completion, thereby, leading to long-term viability for their community. It can revitalize volunteerism in communities. It enhances communication in a region, leading to collaboration to address regional issues and/or accomplish regional projects. As communities dialogue and work together on the modules, issues and community based projects. Leadership training can create a bridge between Aboriginal and non-Aboriginal people and communities by developing an understanding of cultural differences and commonalities.

Investment in community-based leadership development is critical to sustaining a vibrant rural Saskatchewan.

It is time for action.

WHAT WE HEARD:

…"that the most successful long-term rural projects have been home-grown "… need local leadership to get these projects up and running"

…mentorship programs are needed to retain youth

These are a few selected quotes from the 2000-01 participants in the Leadership Saskatchewan Program:

…"my suggestion is that all rural Saskatchewan communities have an opportunity to take this leadership course. It brings back hope into our lives."

…"Needed this program to "push" a communitiy group to go beyond usual leadership teams and try to be more cross-cultural. We had success and failures as we learned to work together."

…I don't think that a day has gone by without thinking about some aspect of the course material. I know that I now view people in a different light when communicating with them. If anything, this course has made me more tolerant and understanding of people…and that is worth its weight in gold alone."

…"I hope all rural communities have an opportunity to get involved in the Leadership Program. The course teaches people to be open to change and to respect the uniqueness and strengths of others."

DIVERSITY OF K-12 EDUCATION

Background

Currently there is not adequate time to take a range of classes in the K-12 system if post-secondary education entrance requirements and expectations are met. Students are unable to pursue other than a strictly academic program and still be eligible for post-secondary education.

Many post secondary programs require two senior level science and mathematics classes, thus requiring students to take a minimum of five sciences (often seven) in high schools and at least four math classes (often six). The result is that thirteen credits become compulsory despite the fact that only four need to be.

High schools need to offer an overall general education.

Options such as entrepreneurship, practical and applied arts, arts education, recreational opportunities and apprenticeship training need to be available to more students in rural Saskatchewan.

A further issue is the need for enhanced communications capability in rural Saskatchewan (i.e. high speed internet). There needs to be a more concerted effort at delivery of secondary and post secondary training in rural communities using the internet. This is especially relevant in providing more options to high school students, especially those students who are planning for careers in non-university areas.

Increased utilization of school facilities at the community level is needed. Rural communities need to use them as community halls, meeting facilities, recreation facilities and training centers beyond the regular hours of public school operation. Saskatchewan has discussed the concept of community schools for more than twenty years.

It is time for action.

WHAT WE HEARD:

...when university instructors teach a class with the assumption that every student has taken calculus at the high school level, calculus very quickly becomes an "assumed" requirement. Thus university bound students perceive that they must have this subject, thereby eliminating other opportunities.

...curriculum courses exist for things like entrepreneurship, work experience, industrial arts, music, physical education, etc but few students choose those options because of the pressure to meet university requirements which allows no room for options other than strictly academic subjects. With few students choosing these courses the courses must be dropped in many rural schools.

...We need to keep our kids in their home communities for their elementary school years.

....Everyone needs a better understanding of rural agriculture and business but few agricultural courses or business type courses are offered in rural high schools – post-secondary entrance requirements preclude students taking these courses

WHAT WE HEARD:
..."the education system should focus more on the technical trades. The system generally focuses on an academic training as a means to developing a career. The promotion of trade jobs as a career would provide a greater number of skilled professional to address this sector's needs."
."...the concept of "the Community School" be developed and expanded to provide more services to a larger portion of the adult population. That additional uses for school facilities be found to make it feasible to maintain the schools in small communities rather than closing them primarily because of current economic costs and declining enrolments." (Community Viability and Rural Survival Conference Report, 1982)

PST REVENUE FOR RURAL DEVELOPMENT

Background

"Businesses located in rural Saskatchewan have been hit twice: once by the economic repercussions from a troubled agricultural sector and a second time by changes in the buying trends of their traditional customers." (Community Economic Development Consultation Tour, March, 1990).

The issues of increased costs for rural residents to obtain goods and services and the changes in buying trends are as relevant today as they were in 1990.

Government needs to recognize the additional costs on rural residents in accessing goods and services and to provide financial incentives that will encourage "buy local" attitudes and attract new businesses to rural Saskatchewan.

An investment of a portion of the PST back into rural Saskatchewan businesses and communities would help to encourage business start ups and reduce costs for rural residents.

There needs to be further and more creative discussions with First Nations governments to work towards the investment of PST in First Nations communities, especially where this tax is being collected on reserve.

It is time for action.

APPENDIX 1

Community in Evolution Membership

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Art Lord - Department of Youth, Culture and
Recreation

APPENDIX 2

Meeting Dates, Locations and Presentations

October 24, 2000 Davidson, Saskatchewan
- Don Leitch, Mid Lakes Community Coalition

November 21, 2000 Humboldt, Saskatchewan
- Diane Martz, Director, Centre for Rural Studies and Enrichment, St Peters College on Sustainable Community Planning in Carlton Trail REDA region.
- Dan Swerhone, CEO of REACT waste management for the Carlton Trail Region

December 14, 2000 Manitou, Saskatchewan
- Lionel Sproul, Manitou Springs Resort Development
- Patrick Weichel, development of Mid Sask Grain Terminal

January 24, 2001 Regina, Saskatchewan
(with Rural Service Sector Committee)
- Irwin Blank, SAMA - property assessment
- John Edwards, Municipal Affairs and Housing - property reassessment and taxation policy
- Paul Beingessner, initial findings of the SWOT survey
- Doug Elliot, interim report on Saskatchewan Community Profile report

February 14, 2001 Fort Qu'Appelle, Saskatchewan
- Kevin Wilson, Saskatchewan Health, discussion of health policy and programs in rural Saskatchewan
- George Fayant, Métis Human Resources, Eastern Region III inc., discussion of tourism initiatives

March 27/28, 2001 Regina, Saskatchewan
- Doug Elliot, update on Saskatchewan Community Profile research
- Paul Beingessner, findings from the SWOT survey
- Van Isman, Economic and Co-operative Development
- Linda Smith, Post-Secondary Education and Skills Training

April 23, 2001 Eston, Saskatchewan
- Cliff Olornshaw, River Ridge Cattle Corporation
- Rob Lobdell and Bill Woods, West Central Road and Rail
- Ted Koester, West Central Municipal Government Committee
- Roger McLean, Canadian Select Grains

May 22, 2001 Muskeg Lake Board Room, Saskatoon, Saskatchewan
- George LaFond, Muskeg Lake Tribal Council, Aboriginal Demographic Trends and Implications
- Lester LaFond, FSIN, Aboriginal Agriculture/ Community Issues
- Laura Parenteau, Saskatoon Tribal Council, Environmental Issues and Water Supply Issues

June 8, 2001 Regina, Saskatchewan
- Dick DeRyk, Chair of ACRE Rural Service Sector (RSS) Committee, summary of findings from RSS report
- Doug Elliot, update on Saskatchewan Community Profile report
- Laureen Gatin, Post-Secondary Education and Skills Training, summary of Role of the Schools report

July 16-18, 2001 Kenosee Lake, Saskatchewan
- review of findings from completed ACRE committee reports

Other subcommittee meeting dates included:
- August 20, 2001 Watrous, Saskatchewan
- August 27, 2001 Saskatoon, Saskatchewan
- September 6, 2001 Saskatoon, Saskatchewan

APPENDIX 3

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS IN RURAL SASKATCHEWAN

Final Report to the Community in Evolution Subcommittee and the Rural Service Sector Subcommittee of the ACRE Committee

Presented by Paul Beingessner March, 2001

Introduction

The SWOT survey that is the subject of this preliminary analysis was made available to about 1200 municipal governments, businesses, non-governmental agencies and individuals across Saskatchewan. It asked participants to present their views on the strengths, weaknesses, opportunities and threats to rural communities and the rural service sector in Saskatchewan. It also asked them to identify strategies and actions that might improve the outcome for rural communities and for the rural service sector. Finally, it asked for some examples of success stories involving rural communities and the rural service sector.

Participants were given a deadline of January 12 to respond. This deadline was subsequently extended to February 23. Two hundred and fifty-three replies to the survey were received by the deadline.

Structure of the Report

The body of this report contains observations taken from a synopsis of the replies that were received. Within each category, the 4 or 5 points that were made most often are picked out and the common themes in them are explored.

While the most common themes are explored, there were a great number of ideas that were found in only one, two or three responses. Some of these are insightful, and, on occasion, some are picked out and commented on. Readers of this report are strongly encouraged to thoroughly peruse the appendix at the end, which contains a summation of all the replies that were received. You may find that some of the less frequently cited responses resonate with your own experience in rural Saskatchewan. The views of those who think "outside the box" sometimes provide surprising insight.

In the appendix, the responses are broken down into four categories - those from municipal governments, both rural and urban; those from businesses and business associations (this included some labour groups); those from non-governmental organizations (NGOs) such as health boards and area transportation planning committees (the non-profit sector); and lastly from individuals.

A number of responses were made anonymously, and an attempt was made to attribute them to the appropriate category. This was facilitated by the fact that the questionnaires that were sent to, for example, RMs, were distinguishable from those sent to businesses.

Within each category, there is a list of replies to each of the 8 questions asked by the survey. Replies are listed in order of frequency

The largest number of responses by far, some 138, were from rural and urban municipalities. The categories of responses (strengths, weaknesses, opportunities and threats) from municipal governments are broken down into subcategories, and sometimes these are further organized around themes. This was done to make it easier to wade through the large number of different factors listed under each category.

The responses from the business sector and associations, and from NGOs, were not broken down into subcategories. This was unnecessary due to the smaller number of responses from these groups. The responses were also consolidated somewhat more. It was felt that the section containing responses from municipal governments would give the reader a flavor of the breadth of responses, and that nothing would be lost by broadening the categories for the other groups.

The responses from individuals (there were 16), are organized in an even briefer fashion. An attempt was made to outline only those responses that had not been mentioned to that point.

Observations

A few observations about the tone of the replies:

First of all, the respondents feel with deep conviction that rural Saskatchewan and rural communities are full of positive aspects, qualities that are ample and adequate to foster a vibrant and complete social and economic fabric. This is a province with a multitude of resources, both natural and human, and the human strengths are not to be underestimated. As one reply stated eloquently, the greatest strength of rural Saskatchewan is "people's affection, devotion and passion to sustain their communities" and the "everyday practice of the values of respect, hard work and friendship".

However, the list of weaknesses portrayed in the survey is even longer, and it is with this list that the sense of despair that pervades many of the replies begins to be felt.

While the list of strengths is long, the list of opportunities, which could naturally be expected to flow from these strengths is much shorter. Nevertheless, there are some innovative ideas expressed, along with the predictable call for more value added to agriculture.

The list of threats is the longest of all. Stated in one form or another by most respondents, there is an almost overwhelming belief that federal and provincial governments have abandoned rural Saskatchewan. This abandonment is seen as both part of the reason for rural decline and part of the barrier that keeps rural areas from overcoming their difficulties.

Given this belief, it is natural that many of the strategies to improve the situation would hinge on actions by governments.

Lastly there is a listing of success stories - a long list. Rural communities take pride in their efforts and this shows. The success stories are listed as a group as the last portion of this report.

Across all groups, there is a great commonality of responses, reflecting perhaps the fact that rural people not only wear many hats, but also have a good understanding of all aspects of rural social and economic life.

One other observation. Despite the sober tone of most of the responses, it was hard to read them without becoming excited. Not only are there so many people with a profound love of the rural way of life, but, that there can still be a sense of hope, despite the almost overwhelming nature of the situation, is enough to get the blood pumping again. If things are blackest before the dawn, rural people are striving to find the glint of light that foreshadows better times.

Municipal Governments - 138 responses

Strengths

1. People and Communities

Representatives of municipal governments were adamant that one of the most important strengths of rural Saskatchewan is the people themselves. Rural people work together, particularly in times of crisis, they support each other, and they have a strong sense of responsibility for the communities they live in. They do this with, and out of a sense of community pride and spirit.

This sense of responsibility for their communities is manifested concretely in volunteerism. Rural people do not hesitate to tackle the problems in their communities. They are willing to volunteer their own time to ensure that recreation, health care, and the many activities that are necessary to community life are able to function.

The First Responders program is but one example of the strength of the volunteer commitment to Saskatchewan. Rural residents have embraced this program and give many hours of their time and much of their own money to ensure that emergency health care is available to those far from ambulances and hospitals.

2. Lifestyle

Another strength, the one cited most often by respondents from municipal governments, was related to the rural way of life. Rural Saskatchewan is said to be a desirable place to live because of the safe and healthy natural environment. Safety is reflected in low crime rates, while clean air and good water are two factors that contribute to the healthy environment. Another factor stated to make rural areas attractive is the low cost of living. This is driven largely by low housing costs.[1]

It was also stated that the rural lifestyle affords all ages the opportunity for full participation in society. This extends to involvement in municipal government structures, in recreation, in volunteer activities, all aspects of rural society. Rural people tend to conduct their social interactions in multi-generational groups. The stratification by age that exists in urban society is much less a feature of rural living. Again, this is a feature of a social structure that sees community as involving and valuing the contribution of all members of society. Seniors in rural communities are not put out to pasture, and young people are valued for the contribution they make to the work of farming and for their participation in cultural and recreational activities.

Paradoxically, the shrinking population in rural Saskatchewan today may be part of the reason the participation of all members of this society is valued. With few people, everyone must be involved if all aspects of a healthy society are to function.

Respondents also identified rural schools as strength. Small class sizes can mean greater individual attention is available. The fact that everyone knows everyone in rural communities - teachers, students, parents and other citizens - means that deviant behaviour is less likely to tolerated and problem solving is more likely to involve the larger community.

3. Business opportunities

Another strength of rural Saskatchewan is that it is an attractive place to set up businesses. There is an innovative work force with a good work ethic and a multiplicity of abilities. By their nature, farmers tend to be multi-skilled, and the deteriorating farm economy has ensured there are many farmers and farm youth who require and will seek off-farm work. It was also stated as a positive feature that rural workers are willing to accept lower rates of pay than would be the norm in urban areas.[2]

A further strength of the rural economy is the abundance of natural resources found in Saskatchewan. Amoung those listed are a plentiful supply of agricultural products, numerous tourist attractions, transportation infrastructure, utilities such as electricity, natural gas and the telephone system, an abundant supply of cheap land resulting in low start-up costs for business, and natural features such as forests, minerals and water,.

Customers in rural areas are said to be loyal, and the lack of many services was in itself cited as a strength. Since many goods and services are not available, there should be opportunities to set up businesses to provide these!

A final strength should be mentioned. The agricultural sector of the economy is seen as a potential strength. There is fertile land, ample crop and livestock production, (and a diversity of types of these) and there are competent farm operators with a knowledge base that is passed down from generation to generation.

One thing is readily apparent though. The agricultural sector was mentioned as a strength by less than 10% of those municipal government representatives who responded. This can only be seen as a dire indication of the state of the farm economy.

Weaknesses

1. Population

The level of population in rural areas was cited, over and over in a variety of ways, as a profound weakness in rural society. Rural populations are small, and they are falling rapidly and precipitously. Additionally, the rural population is aging rapidly, and the potential for a population crash in the next decade or two looms large.

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[1] It should be noted that other factors affect the cost of living, and some survey respondents cited as a weakness the high cost of living that comes from having to travel long distances to obtain essential and other services.

[2] While this was seen as a positive feature for those wishing to operate businesses in rural areas, it was also noted in some responses that low wages are a weakness of rural areas, and even a threat to the long term success of the rural economy.

If there is a single factor that affects rural Saskatchewan in a negative way, responses to the SWOT survey clearly indicate that it is population.

The situation in rural Saskatchewan can be described as a downward spiral. Without a stable population, businesses cannot establish themselves with confidence, since they cannot be assured of a supply of customers or workers. As the population ages and declines, schools close and those that remain can offer fewer options. Businesses leave, and essential services cannot be supported and are moved to areas of larger population. Fewer goods produced and fewer services provided mean rural areas become less attractive places to live. There are fewer jobs, people must travel great distances to obtain the things they need, and the quality of life declines. It is difficult to appreciate the beauty of the rural environment, it is difficult to describe the pace of life in rural areas as relaxed, when one is speeding down the road to get to the next in a series of destinations.

The impact of a small population is also felt in the provision of government services. The services one takes for granted in urban areas - police and fire protection, telecommunications access, emergency health services are often unavailable in rural areas. More and more, governments use economic factors to determine if these types of services will be provided. For example, if there are not enough potential customers to make cellular telephone service a paying proposition for the service provider, cell service may never be made available.

This too becomes part of the downward spiral. If these types of modern services are not available, or only available at great cost, rural areas become unattractive places to live and undesirable places to establish an enterprise.

2. Roads

The road infrastructure in rural Saskatchewan was second on the list of weaknesses. Deterioration of provincial highways and, to a lesser extent, municipal roads is seen as a major detriment to the rural economy. Poor roads, for example, are a barrier to development of the tourism industry.

One community described a situation where a chiropractor had set up a once weekly practice in their town, but quit after a few months. The problem was not a shortage of customers, but the time it took to travel the very bad stretch of highway that led to the community and the danger that the road posed to driver and vehicle.

Quality of life is also affected - many roads are bad enough to make travel over them an uncomfortable experience. Quality of emergency services, like ambulance and fire protection are also influenced. These service providers cannot in some cases provide rapid service because highway infrastructure is so deteriorated that traffic must travel slowly if it is to arrive at all.

3. Goods and Services

Also high on the list of weaknesses was the unavailability of a variety of goods and services, and the distance one must travel to obtain these. Mentioned especially often were medical services, both routine and emergency. Also, many communities have declined in population to the extent that a variety of consumer goods are no longer available, the viability of recreational facilities is questionable, and there is so much placed on a few shoulders that the leadership and volunteers in many communities are worn out.

As people travel to cities and larger centers to obtain goods and services they can no longer get in rural areas, their bonds to their home area weaken, they purchase goods they could get at home, and the negative spiral for business continues.

Another weakness mentioned frequently was a shortage of capital. Agriculture has hovered for years on the brink of disaster, and this has drained rural communities of available capital, farms have seen their asset values decline, and other businesses have been hard pressed merely to survive.

Furthermore, the dismal farm economy has affected the faith lenders have in rural areas. Some respondents indicated that banks and similar lenders are not willing to take risks on rural projects. Respondents also perceived that government grants and loans are not readily available, and saw this as a direct indication of a lack of support by governments for rural people.

4. Rural Economy

The weakened state of the rural economy has resulted in a lack of available jobs. Many respondents cited this. No doubt there is a greater demand for employment in rural areas than ever as many farmers seek off-farm work to subsidize money losing farms. And while there are some jobs provided by new industries, several respondents noted that these tend to be low paying. There is genuine reason to question whether a sustainable and stable rural economy can be built on minimum wage jobs.

5. Rural communities

All these factors have taken a toll on the spirit of rural people. While many respondents identified the indomitable spirit of rural people as a strength, there are also weaknesses within rural communities. Feelings of inferiority, negative attitudes, lack of vision, resistance to change, a closed sense of communities, and communities and farmers fragmented one from another are all mentioned as indications that rural people are in a social crisis as well as an economic one.

6. Governments have given up

The weakness which was common to the greatest number of responses was the sense that the people of rural Saskatchewan have been abandoned by both senior levels of government. This sentiment has its roots first of all in the failure of governments to respond adequately to the financial crisis in agriculture. That this should continue so long and be allowed to become so deep is taken as an irrefutable sign that governments do not care about rural people.

There is a strong belief that governments are willing to see the rural areas depopulated, that they not only pursue this in a passive sense by failing to supply adequate resources to agriculture, but they are actively involved in the destruction of the rural way of life by the withdrawal of services and failure to elucidate a positive vision for rural Saskatchewan.

That governments have ceased to believe in the possibility of revitalization of the rural areas is evident in the approach to the provision of modern technological infrastructure. Several respondents indicated that the provision of cellular telephone and high speed internet service to all areas of the province is essential to the establishment of a modern economy. Certainly, economic experts tell us that the modern economy will be built on information. Those who command it will be the winners, those who fail to understand its importance will be the losers.

Despite this, governments have allowed the provision of these services to rural areas to be dictated by the demands of the marketplace. Had this same attitude prevailed over the last 5 decades, it is unlikely that much of rural Saskatchewan would yet have access to electricity, a modern telephone system, or natural gas.

Opportunities

As mentioned in the introduction, the list of opportunities delineated in the replies from municipal governments is far shorter than the list of weaknesses. Opportunities can naturally be expected to flow from the strengths that are perceived to be present in rural areas.

1. Tourism

Leading the list of opportunities is those presented by the tourism and hospitality industries. Respondents listed the natural beauty of the forests, lakes and wilderness of the province as an asset that is under exploited for tourist potential. They also mentioned the tourism opportunities provided by the rich history of the province. Recreation potential has a role to play here as well. Fishing, hunting, boating and winter recreation all provide unique opportunities to develop sustainable tourist industries in Saskatchewan.

2. Value Added

Value added activity in the agriculture sector was the second most frequently listed opportunity for rural Saskatchewan. Survey respondents did not usually identify the facets of this opportunity more specifically. Value added has become a common phrase in agriculture today. Here it was used to refer to such varied things as crop processing plants, livestock feeding and processing, production of specialty crops, production of ethanol and other alternate energy sources, and organic agriculture.

The responses indicate that rural Saskatchewan has embraced the message that value added enterprises are the road to prosperity and sustainability. It is less obvious that rural people have a firm grasp on the exact ways value added businesses can deliver the promised benefits.

3. Rural Lifestyle

Arising from the observation that one of the strengths of rural Saskatchewan is the lifestyle people enjoy comes the opportunity noted with the third greatest frequency - that the rural lifestyle itself provides opportunities for repopulation and economic development.

Respondents felt that a growing appreciation of the positive rural life style could lead to re-population, and could be the base from which the tourism industry could expand.

The aging provincial population was itself seen as an opportunity since it is believed there is a desire for safe retirement homes and recreation opportunities. This could become a significant driver in the rural economy.

4. Information Technology

Lastly, respondents pointed to the revolution in communications technology, and indicated that the "information age" could be used in many ways to enhance economic development.

Threats

1. Population Loss

As the small and aging population in rural areas was viewed as a major weakness, the threat of further population loss led the very long list of threats perceived by municipal governments. Fears were greatest that there would be a continuing exodus of young people from rural areas. One person pointed out that rural Saskatchewan is experiencing its own "brain drain" as a lack of quality jobs leads the best and brightest of the young to seek greener pastures.

2. Governments Out of Touch

The second greatest threat was perceived to be that the provincial and federal governments do not care about the future of rural Saskatchewan. This leads to a variety of threats including further diminishing of services in health care, education, and infrastructure, rising taxes, further deterioration of the agriculture economy, and a continued lack of leadership from governments in solving the problems of rural Saskatchewan.

Two things were apparent. Governments were perceived as part of the problem, and they were also believed to be a necessary part of the solution since government inaction was seen as a major threat.

3. Rail Abandonment and Elevator Closures

High also on the list of threats were concerns about accelerating rail and grain elevator abandonment and the certainty that this will result in further deterioration to the road network. Concerns were expressed that rural communities are unable to stop this trend, and that senior governments are neither prepared to intervene in a significant way or to ameliorate the damage

Continued degradation of rural roads was seen as threatening the economic recovery of rural areas. Businesses will not locate where roads are inadequate, quality of life is impacted, and tourism - seen as having the greatest potential to expand the economy - will not be possible without improvements to many roads.

4. Discouragement and Pessimism

Fully one fifth of respondents from municipal governments felt that rural areas are threatened by discouragement and mistrust brought on by repeated failure; resistance and skepticism of change; and a growing pessimism and victimization syndrome.

Though it was not the most cited threat, perhaps this loss of vision in rural areas is itself one of the gravest consequences of the decline in the rural economy.

5. Continuing Decline in the Ag Sector

There was also great distress over the state of agriculture. Respondents believe that governments have given up on the agriculture industry in Saskatchewan, and are unwilling to support it sufficiently to allow it to become viable.

It was clear there is a deep and profound belief that unless primary agriculture can yield a viable living for a significant number of people, the rural economy can simply never recover. It is believed that agriculture must remain the primary driver of the rural economy. Family farms must be able to generate sufficient returns to warrant a farmer's full time attention, or the economy simply will not be healthy. While it is understood that secondary processing of agricultural commodities can bring economic benefits, this was not seen as sufficient itself to sustain the rural economy.

If agriculture is not supported, the economy of rural communities can only continue to decline, the population exodus will increase, and the possibility of recovery will begin to fade away.

Strategies for Rural Communities

The list of strategies for rural communities is fairly lengthy, but many of the survey respondents were unable or unwilling to list a single strategy. This was profoundly disturbing as it indicated the depths of despair over obtaining a positive outcome, and a lack of consensus on how success could be achieved.

Many of the strategies for recovery for rural communities are predicated on action by government. While rural people largely believe that solutions must come from within their communities, they also are convinced they no longer have the resources to implement these solutions. Governments must be proactively involved, and that involvement will carry a financial cost.

Topping the list was the need for **tax incentives and grants** to attract and support investment, and provision of services to facilitate business development.

Second is the conviction that governments must support agriculture directly. **Subsidies**, which for years were seen almost as shameful by many farmers, are now believed to be critical to level the playing field between Saskatchewan farmers and those in the US and EC. Direct subsidies are cited here, as well as the suggestion that education tax should be removed from the property base, and the requirement to improve safety nets in agriculture.

In addition to strategies that require direct financial contributions from governments, respondents felt that government has a **leadership** role to play. The tone set by government is seen as important to turning the rural economy around. It is recommended that governments increase the focus on tourism and hospitality industries, promote positive aspects of Saskatchewan for retirement, educate urban people about rural Saskatchewan, and carry out an information campaign to change negative attitudes and promote the good points of rural Saskatchewan.

Many respondents felt that rural areas are disadvantaged in comparison to major urban centers. The cost of supplying and obtaining goods and services is greater, jobs are fewer and lower paying, access to modern technologies is less. In order to offset this disadvantage, the suggestion was made several times that the **PST** in rural areas should be set below that in the urban areas, perhaps at 4% rather than 6%.

Strategies for the Rural Service Sector

Suggested strategies for the rural service sector contain a similar theme. Governments must devote greater financial resources to rural areas.

In this regard, **major improvements to rural roads and highways** was seen as the highest priority for the rural service sector, as well as grants for other infrastructure improvements.

It was suggested there was a need to improve government **rules, regulations and grants to promote value added** agricultural pursuits. Also a priority was government legislation and action to **halt rail and elevator abandonment**.

Municipal governments also noted the need for **greater co-operation** between municipal governments to enable industrial development (zoning bylaws, road maintenance agreements, etc) and joint use of infrastructure was deemed a necessary course.

Equally important was the need to **increase health care budgets** for rural health districts and to preserve at least the current level of health care services in rural areas.

Business sector and Associations - 48 responses

Strengths

The business sector and various associations representing business and labour agreed with municipal governments concerning the strengths of rural Saskatchewan. People's commitment to their communities, the quality of rural life and the availability of a workforce with a strong work ethic topped the list.

The availability of natural resources and raw products also rated highly as a strength, as did the plentitude of low cost land available for development.

There was a clear difference between larger and smaller communities in their responses. Larger, more successful urban communities were more likely to identify the availability of a range of services as a strength of the rural areas. Smaller communities were more likely to identify the lack of services as a barrier to success.

Weaknesses

This category of respondents also saw the small population base as a major weakness in rural Saskatchewan. A small, aging and falling population means a lack of workers, especially skilled workers.

They also identified as a weakness the limited range of many services, medical, retail, etc. They were quick to point out that big box stores in the expanding cities are hard for smaller rural business to compete with, as costs such as transportation are higher for businesses in rural areas.

A lack of new ideas and long term vision, and discouragement were seen as a weakness.

Opportunities

The business sector also believes there are significant opportunities to be found in value added processes for the ag sector, and in intensive livestock production. Tourism too, ranks high.

These respondents see the opportunity for partnerships between communities and with Tribal Councils to strengthen economic and educational opportunities.

They feel that the need for improvements to infrastructure provides the opportunity for significant economic activity.

Threats

Like municipal governments, businesses and associations perceive a long list of threats to rural Saskatchewan.

Most often mentioned is population loss, followed by the decline of the agriculture sector. Elevator and rail line closures and deteriorating roads also bring the threat of further economic disintegration, as do hospital, health care facility and school closures.

Strategies for Rural Communities

Subsidies to agriculture are seen as the highest priority, followed by the need for governments and other players to **promote the positive lifestyle** aspects of rural Saskatchewan.

Economic incentives to business also are favored. It is apparent that businesses and associations realize that the financial resources available in rural Saskatchewan today are not sufficient to enable the economy to revitalize on its own.

Strategies for Rural Service Sector

Strategies for the rural service sector focus on **upgrading of roads** and other rural infrastructure and the need to "regionalize" not rationalize **education and health care**.

There was also concern that mega projects are not the answer for rural development, but that economic improvements must be **community controlled** and community driven.

NGOs - 51 responses

Strengths

Strengths found in the rural areas by respondents from the NGO sector are very similar to those of the two previously described sectors. NGOs are more likely to identify the rural education system as a strength, citing low pupil/teacher ratios and the community college network that is in place.

Weaknesses

Like the other groups, NGOs point to deteriorating infrastructure and low rural population as major weaknesses. They rank resistance to change amoung rural people and a lack of focus and leadership as major weaknesses.

They also point out that there is a lack of available products and services, including high speed internet and cellular service.

Opportunities

Opportunities identified are as in the previous sectors.

Threats

Continuing consolidation of services to larger communities - rail lines, elevators, businesses, schools, buses, police, hospitals, government offices - is seen by NGOs as the most significant threat facing rural Saskatchewan.

This is followed closely by population loss and sense that governments have abandoned rural Saskatchewan.

NGOs also cite resignation, lack of feeling of control, despair, lack of leadership, and isolation as major threats

Strategies for Rural Communities

The most often cited strategy is to encourage **regional co-operation** to assess opportunities and share facilities. NGOs also see benefits in **cultivating entrepreneurial and leadership skills**. They stress the need to renew infrastructure (transportation, education, and health) to create a climate to encourage development, and a need for governments to actively promote and commit to rural Saskatchewan.

Strategies for Rural Service Sector

NGOs differ markedly from the other respondents in one aspect. While municipal governments were particularly likely to point to rural amalgamation as a threat, NGOs describe a need for **rural amalgamation** and **improved intersectoral communication**.

Individuals - responses

Individuals who replied to the survey generally expressed similar sentiments and concerns to those raised by the other respondents.

In the appendix to the report, the replies listed for individuals are only those that are not found in the other categories of respondents.

Readers are encouraged to examine these replies.

Success Stories

The appendix lists the success stories identified by respondents to the SWOT survey. These are loosely organized by similarities.

It is worth noting that the level of pessimism in rural Saskatchewan caused more than a few respondents to indicate that they were unable to think of a single success story in rural Saskatchewan!

Conclusion

The SWOT survey reveals much about the psyche of rural Saskatchewan. It is a psyche that is seriously damaged by years of government neglect and economic disaster, especially in the agriculture sector.

Nevertheless, rural people know their chosen home is rich in resources and potential, both human and natural. They also know that time is running out. They believe that when the critical mass of people is lost to rural areas, recovery will become virtually impossible.

While people clearly understand, as several stated, that solutions must come from within the people of rural Saskatchewan, they also strongly believe that government has to come on side to the issue of revitalizing rural areas. Every action taken by governments must be considered in light of this. Rerouting of a road, done for efficiency and safety of travel, can alter the economic structure of a town in an irreparable fashion. The lack of a social agenda when designing communication systems could mean that some rural areas will never have cell phone or high speed internet access.

Governments must engage as willing partners, as eager participants in a rural recovery that will be driven by the strength and courage of rural people.

Appendix

Municipal Governments - 138 responses

Strengths

Of the People and of the Community

- People work together in times of crisis and otherwise Support and encouragement amongst rural people ... 54
- Community pride and spirit ... 42
- Volunteerism ... 33
- Local government is close to people and effective ... 19
- Common sense approach to problem solving ... 8
- Co-operatives, service organizations well developed ... 5
- Ag expertise passed on to generations ... 3
- Close to large city (works as bedroom community, and is a strength when it gives access to services and goods) ... 3
- Community Colleges ... 2
- Regional Economic Development Committees . 1

Related to positive lifestyle

- Low crime rate makes rural areas attractive places to live; Safe and healthy lifestyle and natural environment; Low cost of living, largely driven by low housing costs ... 84
- Recreation available to all ... 17
- Opportunity for individual participation in all aspects of society ... 15
- Personalized customer service by businesses ... 10
- Affordable housing available, also senior's housing ... 10
- Schools - more individual attention, etc. Everyone knows everyone; ... 10
- Affordable services ie- recreation, snow removal ... 8
- Where hospitals and health care are available, these are identified as a strength ... 4
- Strong manufacturing base providing jobs ... 3
- Less acute poverty ... 1

Related to Business Opportunities

People strengths

- Work force with good work ethic and skills, innovative ... 35
- Lower wage scale ... 7
- Diversity of skills in workforce ... 6
- Youth with Positive goals and ambitions ... 1
- REDAs, TPCs, ADD Boards ... 1

Physical Resources

- Lots of cheap land for development means low start up costs for businesses ... 35
- Abundant natural resources including low cost resources such as feed grains ... 17
- Good water, some areas with a large water supply (e.g. Lake Diefenbaker), (also seen as attractive lifestyle feature) ... 12
- Low taxes for businesses and residential ... 11
- Many tourist attractions ... 7
- Strong regional transportation infrastructure ... 6
- Utilities of power, natural gas readily available . 4
- Customer loyalty ... 3
- Vacant buildings available for use ... 2
- Businesses face less competition ... 2
- Competitive utility costs ... 1
- Close to wealthy market in US ... 1

Ag Sector

- Productive farm and pasture land ... 11
- Innovative Ag sector ... 6
- Strong beef industry ... 4
- Strong crop diversity ... 2

Weaknesses

Related to Business Opportunities and Economic Development

- Small, aging and falling population (also relates to quality of life) ... 77
- Deteriorated roads ... 43
- Poor ag economy ... 37
- Shortage of capital; ag tapped out, Banks unwilling to take risks on rural projects ... 21

Long distance to markets and to bring in inputs resulting in high costs	17
Poor cell phone and internet service, and other modern infrastructure	11
Lack of government support through grants and technical assistance, lack of incentives for value added	11
Government centralization of services has cost jobs	10
Leadership and volunteers worn out	10
Lack of rail transport	10
Lack of large enough labour pool for large businesses, and lack of skilled work force	8
Too much government intervention	8
Low volumes for businesses mean must charge higher prices	6
Economies of scale lacking	6
Inability for youth to practice ag since it is not a viable industry	5
Lack of access to professionals	4
Short growing season, harsh climate	2
Failure to develop natural resources, including tourism	2
Limited natural gas service (too costly)	2
Poor access to communications (TV, radio) in remote areas	2
Small economic base	2
Lack of financial institutions in many rural areas	1
Lack of marketing for locally produced goods and services	1
Postal service poor to remote areas	1
Newcomers to communities not as loyal to businesses	1

Related to Quality of Life

Limited availability of businesses and services, Long distances to goods and services Long distance to health care	44
Poor emergency services, lab services, etc., lack of health care services generally, closure of rural hospitals	37
Lack of jobs, particularly for youth	27
Poor ag economy	24
Higher cost of living because of less competition and more travel	10
Few options for schools - 2nd language, extra-curricular, etc.	5
Lack of access to professionals	5
Longer school bus runs from school closures are a big negative for children	5
Lack of bus service between communities and to cities	4
Many jobs are low paying	4
Lack of post secondary education	4
Poor cell phone and internet service	3
Limited educ opps for some situations eg special needs	3
Minimal police presence	2
Isolated	2

Related to Infrastructure

Poorly administered economic development programs - poor oversight	5
Fragmented local governments, too small to be effective in economic development	5
Reluctance to amalgamate and share services	3
REDAs seem ineffective (due to need to raise local capital)	2
High cost of police services, inadequate policing	2
Health Districts concept not working	2

Related to Community and People

Feelings of inferiority, negative attitudes, lack of vision	8
Decreased young people involved in community and in rural life; few things for them	7
Small communities don't have infrastructure to attract businesses	5
Resistance to change	5
Closed sense of communities	4
Communities and farmers fragmented one from another	4
Lack of formal education amoung many so they don't take advantage of services offered, and cannot identify opportunities	2
Communities not aggressive enough	1
Lack of involvement of women in rural issues	1
Having to commute for jobs means less time for family and community	1

Related to the Economy

- Low and falling tax base ... 11
- Lack of services means there are few service related jobs ... 10
- High taxation provincially (disadvantages us all) ... 7
- Lack of control over things like rail abandonment, freight rates, crop prices, foreign subsidies ... 4
- Too dependent on agriculture ... 4
- Low property values ... 2
- Consolidation of service industries means job losses ... 2

All Encompassing

- Provincial and federal governments out of touch - do not care about rural Saskatchewan or agriculture ... 79

Opportunities

Opportunities Arising from Natural Resources

- Tourism and hospitality industry; also eco-tourism; abundant wildlife for tourism, hunting and outfitting ... 37
- Agri-forestry and conventional ... 5
- Oil and gas development ... 5
- New types of ag production, eg organic, alternative crops ... 4
- Potential for solar and wind energy, and canola based fuels, and to develop and sell the technology ... 2
- Wild game ranching ... 1
- Craft industries (native) ... 1
- Extensive irrigation potential ... 1
- Agriculture research ... 1

Opportunities Arising from Other Economic Development

- Value added industry ie: processing plants, specialty crops, ethanol ... 31
- Intensive livestock operations ... 14
- Livestock processing ... 4
- Short line railway development as major railways leave ... 3
- Waste management and recycling ... 2
- Ag equipment manufacturing ... 2

Opportunities Arising from Lifestyle, People

- Growing appreciation of positive rural life style may lead to re-population ... 14
- Recreation - increased wealth and leisure time for segment of the population means there are opportunities to develop recreation based industries ... 7
- Aging population looking for safe retirement homes ... 7
- Since there are few businesses, opportunity to create more ... 3
- Expansion of long term health care as population ages ... 2
- people want to explore history and roots- rich heritage to work from ... 2
- First Nations becoming more economically strong ... 2
- Co-operation with urban communities ... 1

Opportunities Arising from Structural Changes

- Information and communications technologies are making new things possible ... 6
- Municipal amalgamation ... 5
- Emerging value added businesses allow investment opportunities ... 3
- New gen co-ops - this legislation makes possible new style of development ... 2
- Investment opps for corporate farms as farm size increases ... 1

Threats

Overall

- Loss of population (especially young) ... 48
- Provincial government out of touch, provincial and federal governments do not care about rural Saskatchewan; diminished government funding, continued government cutbacks and downsizing (common thread) ... 47
- Loss of jobs and lack of opportunity ... 15
- Rural service costs increasing faster than urban - Sask Power, telephone ... 7
- Mindset that bigger is better - globalization ... 7
- Losing political influence due to small population 5
- Too much politicization of issues leading to poor decision making ... 4
- Poverty ... 4
- Pollution of air, soil, water ... 1

Infrastructure

- Transportation and other infrastructure degraded, fear it will degrade further with rail abandonment and elevator closures ... 46
- Loss of grain elevators ... 42
- Loss of rail lines ... 39
- Health facility closure ... 32
- Municipal amalgamation ... 19
- Excessive government intervention, Securities Commission red tape ... 3
- Highway realignment hurts communities (bypassing them) ... 1
- Possible litigation because of poor infrastructure - roads, signs, etc. ... 1

Communities

- Closure of rural schools, and low school populations ... 42
- Lack of vision by rural people; communities reluctant to work together, discouragement, mistrust brought on by repeated failure; resistance and skepticism of change; Pessimism and victimization syndrome ... 25
- Deterioration and uncertainty of agriculture economy ... 21
- Rising property taxes, especially school; Excessive taxation, downloading of taxes ... 20
- Farms becoming too large, results in population loss ... 6
- Closure of post offices ... 4
- Closure of recreation facilities ... 3
- Communities falling below threshold for survival3
- Water quality ... 2
- Conflict between aboriginal and non-aboriginal communities ... 2
- Losing heritage,- old buildings, elevators, etc ... 1

Economy

- Larger rural businesses leaving to major centers; businesses closing ... 25
- Failure of province and fed governments to deal with ag crisis ... 15
- Rising property taxes, especially school; Excessive taxation, downloading of taxes ... 12
- People commuting to larger centers for work also shop there ... 11
- High fuel, chemical, implement costs, and taxes ... 10
- Loss of government services - moved to cities ... 10
- Low crop prices ... 9
- Loss of local machine dealers, parts and service ... 7
- Lack of incentive for investors ... 4
- Competition from larger centres ... 4
- Indian land claims (TLE) decrease tax base ... 2
- Government over involvement and bad planning - eg SPUDCO ... 2
- Further deregulation of electricity, telephone, and natural gas ... 2
- Too much diversification into specialty crops results in over production, and falling prices... 1
- Consumer backlash (GMOs, animal rights, etc) ... 1

Strategies for Rural Communities

- Tax incentives, services and grants to attract and support investment ... 22
- Subsidize agriculture to overcome low prices for commodities ... 20
- Eliminate school tax from property tax base .. 12
- Assistance with researching economic development ideas ... 10
- Improve crop insurance and safety nets (increase government funding) ... 8
- Increase focus on tourism and hospitality industries ... 8
- Promote positive aspects of Saskatchewan for retirement ... 6
- Encourage development of short line railways ... 6
- Educate urban people about rural Saskatchewan ... 6
- Information campaign to change negative attitudes, promote good points of rural Saskatchewan ... 5
- Keep fuel costs down so that goods in rural areas aren't so expensive - e.g. tax incentives ... 5
- Change PST for rural communities to 4%, leave cities at 6% ... 4
- Encourage foreign investment, rural Saskatchewan is a third world country ... 3
- Promote winter tourism to those in warm climates ... 3
- Stop subsidizing private companies since this inhibits others from investing ... 3
- Develop regional water and waste systems ... 3

- Increase education funding in rural Saskatchewan 3
- Implement process to retain elevators 3
- Find ways to reduce ag input costs - e.g. Buyer's co-ops for inputs 3
- Develop "shop at home" programs 3
- Government grants need to be available to maintain existing programs (not only available to new ones) 3
- Decentralize government services 2
- Incentives to develop co-operation between rural communities 2
- Actively promote optimism 2
- Increase in employment in rural for health care workers 2
- Subsidize intensive livestock to gain spin-offs 1
- Incentives for beginning farmers 1
- Encourage immigration to rural areas 2
- Ensure community control of development initiatives 2
- Lobby for a guaranteed annual income 1
- Promote alternate energy production 1
- Involve aboriginal people and their resources .. 1
- Alternative marketing groups for crops to bypass traditional marketing channels, e.g. WCRR 1
- Promote and educate re new gen co-ops 1
- Strategic alliances between participants in the supply system 1
- Maintain high quality of the food we produce by proper health regs and livestock ID system ... 1
- Encourage sharing of equipment between farmers 1
- Promote land trusts to facilitate intergenerational transfer of land 1
- Mentoring program between successful farmers and youth 1
- Promote marketing clubs as way to promote diversification 1
- Lower fuel taxes 1

Strategies for Rural Service Sector

- Major upgrade of rural roads and highways .. 18
- Increase grants to rebuild rural infrastructure .. 9
- Government rules, regulations and grants to promote value added agricultural pursuits 8
- Halt rail and elevator abandonment 7
- Cooperation between municipal governments to enable industrial development (zoning bylaws, road maintenance agreements, etc) and joint use of infrastructure 7
- Increase health care budget for rural health districts 7
- Bring in high speed internet for knowledge based services 5
- Increase opportunities for long term health care in rural health care facilities 4
- Band together as communities on a regional level to lower costs and duplication 4
- Governments must make utilities available at lower cost 4
- Regulations that create "forced" opportunities for recycling 3
- Increase in low income and seniors housing development 3
- Expand internet service to allow remote youth to continue education in their own communities 3
- Encourage amalgamation of RMs with small urbans rather than with other RMs 2
- Provincial maintenance grants for heavy haul routes 1
- Generation of electricity using oilfield wastes .. 1
- Utility rates for rural should be same as for urban 1
- Reform Farm Credit Corporation to assist agriculture, not make huge profits 1

Overall

- Provincial government to encourage rural development 15
- Downsizing may be necessary but do not eliminate 1

Business sector, Associations - 48 responses

Strengths

- People know their community and its needs, are committed to it; strong social network 21
- Quality of life: low crime, affordable recreation, housing, community spirit, involvement 19
- Available, hard working, intelligent workforce; low wage rates 18

Lots of raw products produced, natural resources available	13
Large, low cost land base available for development	8
Some communities identify that they have good services available	6
Easy for businesses to start, low costs, available labour, etc	6
Strong ag and resource base (potential)	5
Businesses have one-to-one relationship with customers	4
Close relationship between community and school	4
History of successful collaboration amoung various sectors of society	3
Pristine environment	3
Lower pupil teacher ratios	3
Local government mostly well managed	2
Loyalty to local businesses	2
Centrally located in Canada	1
The family farm is an effective concept for passing on the knowledge base of agriculture	1
FCC is an effective lending agent for rural areas	1
Commitment to value of education	1
Involvement of seniors in our community	1
Many opportunities for tourism	1
Volunteerism	1
There is a willingness, even in urban areas, to preserve services to rural areas	1
A tradition of innovative public sector programs	1

Weaknesses

Small base of skilled workers; small population and shrinking; this largely due to failing ag economy	20
Limited range of many services, medical, retail, etc	16
Cities expanding, big box stores hard to compete with; costs such as transportation for businesses in rural areas are too high	11
Lack of new ideas and long term vision, discouragement (also seen as a threat)	7
Roads and other infrastructure in poor shape	6
No jobs, brain drain from rural areas	6
Limited range of services makes hard to attract professionals	5
Too much travel and cost to obtain goods and services (affects quality of life)	4
Shortage of capital	4
Reluctance to invest in processing and other innovations, fearful of risk; "not in my backyard" syndrome	3
Declining businesses, lack of services	3
Low wages in existing jobs	3
Economy ag based, not diversified enough	3
Lack of competition in rural areas results in low levels of service	3
Government perception of rural Saskatchewan as non viable; governments not seen as allies	3
Government is centralizing all operations to cities	3
Lack of equity and venture capital	3
Small tax base	2
Consumer mobility threatens local businesses	2
Infrastructure lacking - three phase power, natural gas, high speed internet, etc	2
Labour standards don't apply to many northern and agriculture workers	2
Government dominated by urban seats	2
Far from major markets in large urbans	2
Death of farming	1
Lack of government commitment to research and development	1
Lack of modern technology - high speed internet, cellular	1
Schools so small they can't provide recreation and other opportunities	1
Shortage of affordable housing	1
Poor farming	1
Research is in the larger centers, not necessarily relevant to smaller centers	1
Limited public transit	1
REDAs not effective due to requiring too much volunteer time from overstressed, overworked and over-committed people	1
Lack of entrepreneurs	1
Absence of succession planning in transfer of farms	1
Distance to emergency services and policing	1

Opportunities

Value added for ag; community based	13
Eco-tourism; tourism in general	9
Livestock production and intensive livestock facilities	8
New communications technologies provide opportunities for internet and communications based rural businesses	7
Expansion of pulse and special crops sector	5
Oil field jobs	3
Partnerships between communities and with Tribal Councils to strengthen economic and educational opportunities	2
Infrastructure needs inproving - would create jobs	2
Opportunity to create businesses to fill the void of those leaving	2
Technology export	1

Threats

Population loss, especially young, and the downward spiral that results	23
Ag in decline, affects other aspects of economy	13
Elevator and rail line closures	13
Deteriorating roads	12
Hospital and health care facility closures	12
School closures	12
Negative attitudes toward Saskatchewan (also from rest of Canada); pessimism, resistance to change	11
Business closures that accompany consolidation and regionalization	9
Underfunding of education and other public services	7
Declining labour force	6
Take over of opportunities by centers of capital, increased foreign ownership, decision making by corporate interests rather than local communities (e.g. rail abandonment)	5
Declining tax base	5
amalgamation	5
Deregulation and privatization are leading to loss of services	4
Lack of government concern about all these	4
Input costs for farmers too high	4
Urban/rural split	3
High levels of personal stress brought on by economic conditions and community disintegration	3
Competition from other countries	2
Crop diseases and pests increasing	2
Inability to begin farming as the industry is not viable	2
High taxes	2
Lack of dollars invested in infrastructure and health care	1
Lack of global thinking; lack of training and upgrading	1
Lack of technological infrastructure	1
Loss of co-operative drive	1
People's inability to pay for goods threatens rural businesses	1
High energy and fuel costs	1
Large farmers less likely to deal locally	1

Strategies for Rural Communities

Subsidies to agriculture and help to transition young farmers into the business	7
Promote positive lifestyle aspects of rural Saskatchewan	6
More incentives to business: tax etc.	5
Promote value added in ag	4
Promote and establish tourism	3
Focus on education and training	2
Concentrate on development of core services	1
Rural communities must unite to send a strong message to government to recommit to rural areas	1
Take stock of community assets; assess opportunities; through local "think tanks"	1
Look at success stories in other provinces and regions	1
Promote food processing	1
Province must take leadership role in helping communities to evaluate and develop options	1
Promote internet technologies in business, education and health	1
Co-operative investment in value added	1
Expansion of livestock and pulse sectors	1
Crown Corp or Government Department to partner in redevelopment of rural Sask.	1
Strengthen "key" communities and abandon the rest	1

Increase minimum wage and improve employment standards in rural areas	1
Tax credits to young people returning to rural areas (e.g. to post secondary)	1
Involve First Nations	1
New Crown corporation or government department to reinvest in physical, social, cultural and economic life	1

Strategies for Rural Service Sector

Federal and provincial governments must provide money to upgrade roads and renew infrastructure	3
"regionalization," not rationalization of education and health care	3
Encourage local businesses, mega projects often don't work.	2
Rural amalgamation to reduce costs	2
Encourage co-operative development	1
Develop major truck routes	1
Upgrade access to communication	1
Bottom line alone must not dictate level of services that exist	1

NGOs - 51 responses

Strengths

Positive aspects of rural communities - safe, healthy lifestyle, personal customer service, affordable housing, local governments close to people	34
Communities working together, strength, resilience, volunteerism	33
Strong work ethic, productive workers	18
Land available for business start up and residential growth	13
Recreational and tourism opportunities	9
Good services and infrastructure in some communities	7
Good education system, low student-teacher ratios, regional colleges	6
Lots of raw materials available	5
Low labour costs, large aboriginal population as potential work force	5
Commitment to solving rural problems	3
Programs like CARDS, REDAs etc	3
Low taxes and start up costs for business	3
Diversified ag	3
Little competition in same area	2
Customer loyalty	2
Close to American market	2
Intergenerational activity	1
Largest wheelchair program in Canada with strong knowledge base for product development	1
Fewer labour problems	1
First Responders system	1
A sense of urgency	1

Weaknesses

Deteriorating infrastructure	24
Loss of population, especially young, aging population	21
Resistant to change, lack of focus and leadership, resignation	13
Few products available, lack of services - high speed internet, cellular, medical, etc	11
Hard to attract capital, lack of capital	11
Territorialism, lack of co-operation between communities and municipal governments	10
Difficulty attracting qualified professionals and trades people	9
Increasing distance to services	8
Unstable, impoverished farm sector	7
Higher cost of many goods and services due to lacking economies of scale and distances to travel	6
Lack of capital	6
Economy too focused on ag	6
Lack of entrepreneurial skills and resources to build these; population often unaware of program and grants that are out there	6
Volunteer burnout and downloading government responsibilities or volunteers	4
Job opportunities in urban pull people away	3
Lack of cultural and recreational opportunities	3
Limited celebration of economic success	2
Distance from end users	2
Higher utility costs - gas, electric	2
Farms getting larger so fewer people	1
Rural organizations often not good at dealing with the media	1
Lack of jobs, especially for the young	1
High fuel costs make commuting less viable	1
Lack of communication with First Nations	1
Poor transportation for disabled/seniors	1
Unwillingness to accept outsiders and different cultures	1

Opportunities

Value added ag processing	21
Eco-tourism, other tourism opportunities	17
Location not as important in digital economy	4
Expanded livestock production	9
Aging population needing retirement locations and health care services	8
Need for professional services in some communities - e.g. optometrist, electrician,	1
Greenhouse development using waste heat	1
Carbon sequestration	1
Custom services to agriculture	1
Expanding market for medical supplies, especially "hard" goods - walkers, wheelchairs, etc	1
Micro-breweries	1
High energy costs for transportation may make local ag production (vegetable, fruit) more attractive	1
Production of livestock feeds in many areas instead of just a few	1
Partnerships with First Nations	1
Forestry	1
Agriculture implement manufacturing	1

Threats

Continuing consolidation of services to larger communities - rail lines, elevators, businesses, schools, buses, police, hospitals, government offices, etc,	25
Population loss	23
Sense of abandonment and lack of vision by government and business	22
Resignation, lack of feeling of control, despair, lack of leadership, isolation	20
Declining incomes in farm sector	10
Increasing cost of providing services	7
Lack of job opportunities	6
Rising tax burden, declining tax revenues	6
Lack of understanding of rural issues by urban folk	4
Lack of housing	3
Increasing farm size, corporate farms	3
Dangerous roads	2
Efforts to weaken CWB	2
Loss of independent farms/family farms	2
Federal cheap food policy	1
Farmland costs exceed ability of farmland to pay for itself	1
Expectations for services will grow with technology	1
Available capital in small areas is owned by elderly - have short investment horizon and low risk tolerance	1
Loss of quality of life brought on by stress of financial insecurity	1
Gun legislation is reducing numbers of hunters - causes loss of revenue	1
Soil degredation due to erosion, pollution, etc	1
Forced rural amalgamation	1
Higher grain prices could discourage diversification	1
Decline in adult education programs	1

Strategies for Rural Communities

Encourage regional co-operation to assess opportunities , share facilities, etc	13
Cultivate entrepreneurial skills and leadership skills	7
Renew infrastructure (transportation, education, health) to create climate to encourage development	9
Need governments to actively promote and commit to rural Saskatchewan	6
Actively promote and market small town Saskatchewan as retirement communities and safe places to raise children	4
Incentives for ventures	4
Increased direct government support to ag	3
Use communications technologies for distance education to enhance skills	3
Reduce all taxes	3
Promote way of life as tourist attraction	3
Develop venture capital funds	2
Give advantage to local businesses so they can compete with big box stores	2
Encourage health related businesses, e.g. partner with SAIL to identify product needs and improvements	1
Possibility of manufacturing of formed plastic health care products like raised toilet seats, urinals, etc.	1
Possibility of manufacturing things which utilize tube construction - walkers, grab bars etc.	1
Develop marketing strategies that cut out the middleman	1
Use quality of life issues to attract business that are not location sensitive	1
"Come Home to Saskatchewan" initiative "The Place to Live Naturally!"	1

• "Come Home to Saskatchewan, Stay and Profit Campaign 2005"	1
• Wild game ranching	1
• Local governments need to make economic development a priority	1
• Focus on education for native population	1
• Develop strategy for intergeneration transfer of farms	1
• Programs to convert marginal cropland to livestock production	1
• Recruitment strategies for professionals to move to rural areas	1
• Encourage rural communities to actively promote economic development	1
• Change electoral boundaries so rural constituencies are truly rural	1
• Legislation to deal with elevator destruction and rail abandonment	1
• Improve minimum wage and standards of employment	1
• Programs which encourage new homebuyers to invest in rural areas	1
• Involve First Nations in economic development	1
• Introduce restrictions to farm size to increase farm population	1
• Explore new ways to offer services - e.g. increase in surgeries in rural Saskatchewan due to waiting lists in cities	1
• Encourage community based businesses like co-op stores	1

Strategies for Rural Service Sector

• Rural amalgamation and improved intersectoral communication	3
• Improve access to technology (cell, internet, etc)	3
• Eliminate PST	1
• Greater funding to attract and retain employees in rural service centers	1
• Bonuses for professionals working in rural areas to attract them	1
• Encourage and assist short line railways	1
• Tax incentives for private industry	1
• Assistance to overcome barriers to private or co-operative ownership of abandoned elevators.	1
• Education commuters in bedroom communities to importance of shopping local	1
• Business management training	1
• Develop day care for farm families for day, evening, and night care during seeding and harvest	1
• Rationalize road network and improve the remainder	1

Individuals - 16 responses

Strengths

- Businesses extend a line of credit to their customers
- Seniors can drive in rural areas whereas city driving might be intimidating

Weaknesses

- Inability to sell property as population shrinks
- Low wages
- Dependence on government institutions as economic drivers
- Limited cultural activities

Opportunities

- Organic agriculture
- Markets for natural food products
- Greenhouse production
- Immigration - lots of space, quality of life
- Offering overflow services to cities i.e. rinks, etc.

Threats

- Assets of seniors living in rural Saskatchewan will leave when these people die. Concern for financial institutions.
- Excess governments - municipalities, school districts, etc
- Environmental damage from ag chemicals
- Inability to keep rinks, churches, community halls, theatres, etc due to high fixed costs such as utilities

Strategies for Rural Communities

- Insist that people in jobs relying on government money live in the areas they work
- Need to make agriculture more viable to repopulate rural areas
- Cap ag subsidies so as not to overly reward larger farms
- Remove policies that restrict trade between provinces
- Development of provincial Crown to develop rural Saskatchewan.
- More cost effective governments through amalgamation
- For services that have been centralized, better access - e.g. helicopter ambulance, distance education
- Encourage youth to stay in province by writing off student loans according to number of years they work in the province. If they stay for a while, they will settle in and be less likely to move

Strategies for Rural Service Sector

- Lower taxes through more efficient rural government
- Train rural service people in community development skills
- Look at the success stories and repeat them

Success Stories - Rural Communities

- Hog Barns, Feedlots, elk and bison production (new livestock ventures)

- River Ridge Cattle Co. - community based feedlot, Poundmaker at Lanigan, Red Coat Cattle Feeders, Velvet Independent Producers.

- Agra Processing, West Central Pelleting Plant - Wilke, Central Butte Pelleting Plant, Canada Select Grains, Cay Seeds - processors, Lily and Rose Seed Cleaners, Southland Processors - Frontier, Naber Seed and Grain, Norquay Alfalfa Processors restarted.

- Country Lane Poultry
- Ottenbreit's Meat Store
- Drake Meat Processors
- Thomson Meats
- Kitsaki Meats
- Food processing - maple syrup, saskatoons, etc.
- Delisle salad plant
- Schweitzer Ents - spices
- Restaurant and bakery which opened to serve hunters
- Holdfast coffee shop
- Parkview Diner
- New Co-op store at Wadena
- Pat's Emporium at Hudson Bay

- Community based Inland Terminals - NET, SWT, NWT, PWT

- Several U Pick Berry farms

- Mankota Weigh Company, Assiniboia Livestock

- West Central Road and Rail - community organized producer car loading
- Bickner trucking at Vanguard; other trucking firms run out of rural Saskatchewan.
- Farmers of North America

- Ancient Echoes Interpretive Center In Herschel
- Mural project in Margo, Kuroki and Invermay
- F Schneider Museum
- Tourism at Rosthern related to Duck Lake, Batoche, etc
- Western Hemispheric Shorebird Project at Chaplin
- Eastend T-rex
- Dinner theatres
- Twin Towers Ski Area at Stranraer
- Manitou Beach Mineral Spa
- Bed and breakfasts

- Tugaske Co-op
- Retail Fertilizer Outlet
- Bourgealt Industries
- Durafibre
- OSB companies
- Babcock's - Melville
- Pattison Liquid Systems
- Big Quill Resources
- Honeybee Manufacturing
- Manufacturing at St. Brieux. Anaheim, Engelfeld
- Eagle Industries
- Seed Hawk
- Bourgeault
- Doepker
- Seed opener invented by Hugh Barton
- Coverall Shelter Systems - St.Brieux
- PCS at Lanigan

- Saskferco
- Oil industry
- Porcupine Opportunities Program Sheltered Workshop
- Scott's Ornaments
- Little River Pond Mills
- Panther Industries in Davidson
- Manufacturing at Clavet
- Sierra Stone

- Forestry in some areas
- Tree planting company at Goodsoil
- Weyerhaeuser OSB plant at Hudson Bay
- Peat Moss plant in Canora
- Tourism in Eastend
- Prairie Rubber Corp in Assiniboia
- CCS Oil Landfill Site in RM 472
- Bio-tech at Asquith
- Local livestock and other auction marts
- Heartland Hay Operations

- New rink at Whitewood
- Super Draft in Kenaston
- Local halls and rinks built with local resources
- Regional Park at Leroy
- Expansion of Golf and Country Club in Canora
- Community Hall in Pleasantdale
- Fox Valley Community rink
- Fort Qu'Appelle - services of all types, First Nations partnership

- Aboriginal communities moving into tourism and forestry
- Meadow Lake Tribal Council

- Development of Emerald Park and Great Plains Industrial Park
- Influx of farmers from UK to Dysart area due to efforts of local realtor
- Mortlach's web page has brought families from BC to live there.
- Prince Albert Credit Union set up branches in communities where there were no banking services
- Rural Credit Unions took over when Bank of Montreal closed rural branches

- Forced amalgamation defeated
- Rural amalgamation successful in some areas

- "Any community that has managed to survive so far is a success story."

Success Stories - Rural Service Sector

- Eastend Health Center (2 doctors)
- Smeaton Health Center
- Smeaton Co-operative Health Care
- Building 45 bed level 3 and 4 nursing home at Wilke
- Jubilee Lodge nursing home
- Bethany Assisted Living Homes
- Assisted Living Program at Milestone
- Partners for Rural Family Support Intersectoral Group - Humboldt

- Rural water distribution systems
- Improved water supply in Colonsay makes community more attractive
- Waste Disposal Plant at Unity
- Melfort Rural Pipeline Assoc
- Logging roads in the north
- Short line railways
- Branch line retention in West Central area
- Communities repairing roads in south west Saskatchewan

- Local community at Medsted built a store with volunteer labour
- Community college classes offered locally
- Provincial rural service centers work and are trusted

- Marketing clubs
- Pool Tankard and similar community sponsored events

- Credit Unions and Co-ops
- Tugaske Co-op
- Post Offices - Canada Post has stopped closing them
- SARM liability self-insurance
- Private schools in small communities - Notre Dame, Briercrest Bible College, etc.

- Building of Alameda dam which provides recreation and tourism

- Community Futures Development Corps
- Elbow Economic Development Committee
- Partnerships between School Division, RSB and CRC in Melfort and SD, Town, CRC, Health Intersectoral Committee in Tisdale
- South East Rural Resource Committee
- Joint waste collection agreements in some RMs
- Joint fire protection agreements

- SUNTEP, NORTEP

ACTION COMMITTEE ON THE RURAL ECONOMY

Farm Structure/Farm Income Subcommittee Report
October 2001

Marsha Cannon (Chair)
Germain Dauk (Vice-Chair)
Darryl Amey
Dennis Banda
Ray Bashutsky
Lester Lafond
Kim Lock

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INTRODUCTION

The Farm Structure/Farm Income Committee is composed of Marsha Cannon, President of the Saskatchewan Cattle Feeders Association, (chairperson); Germain Dauk, Vice-Chair, Saskatchewan Pulse Growers Association; Dennis Banda, President of Federated Co-op Ltd.; Ray Bashutsky, President of Sask Rally Group; Darryl Amey, Past President of the Saskatchewan Organic Directorate; and Lester Lafond, Federation of Saskatchewan Indian Nations.

The Farm Structure/Farm Income Subcommittee was asked to provide a picture of what is happening on the farm and examine:

- What is the profile of crops and livestock being produced on Saskatchewan farms and how has the profile changed over time? With those trends, what production mix is likely 10 to 15 years from now and what changes will be required in the institutions and the infrastructure now servicing farmers to accommodate future production?
- What are the implications of the farm income trends, and the declining margins for primary production and particularly for cereal crops and oilseeds?
- How has the number of farm operations in the province changed over time and what are the implications of that trend for the future of rural Saskatchewan?
- Given the trends in the production mix, farm incomes and margins, and numbers of farms, and the implications of each for the economy of rural Saskatchewan, what programs, policies or services should be provided by governments to maximize opportunities for the rural economy?
- What are the external factors that might impose constraints or provide opportunity for farmers using avenues such as service needs (for the farm operation and the farm family), corporate concentration (elevators, inputs, seed ownership, etc.), commodity marketing structures, government policies/legislation, internal subsidies, etc.
- Given the external influences on farming operations, what programs, policies or services might be implemented to remove constraints or maximize opportunities for agriculture?

The Committee drafted a mandate to guide the recommendations coming out of the Committee's research. Specifically, the Committee defined its mandate as:

To examine current trends in farm structure/ farm income and the underlying forces and identify the appropriate policies which will help the industry in meeting its long-term goals.

The Subcommittee's recommendations will be measured in terms of these guiding principles:

- **socially acceptable and supportive;**
- **environmentally sound;**
- **economically viable for all participants; and**
- **sustainable in the long-term by meeting the needs of today without compromising the needs of future generations.**

Specifically, the Farm Structure/Farm Income Committee's report outlines the main industry level characteristics and trends; the farm level characteristics and trends; the infrastructure and institutional changes that are occurring in the industry; and the implications of these changes for farmers and farm families. The report makes a number of recommendations on the programs, policies, and services that governments should pursue in an attempt to shape the future for a sound agriculture industry in this province.

INDUSTRY LEVEL CHARACTERISTICS

The Saskatchewan primary agricultural industry has faced significant transformation over the past 30 years. Policies, weather, technology and international subsidization of competing products have all had a dramatic effect on this industry. These factors have led to fewer and larger farming operations. At the industry level, we have a more diverse industry with a wide range of crops and livestock being produced. However, there continues to be a trend towards specialization into one or two areas. While crop producers tend to grow a wider basket of crops, there are fewer mixed operations (crops and livestock combined) now than 30 years ago.

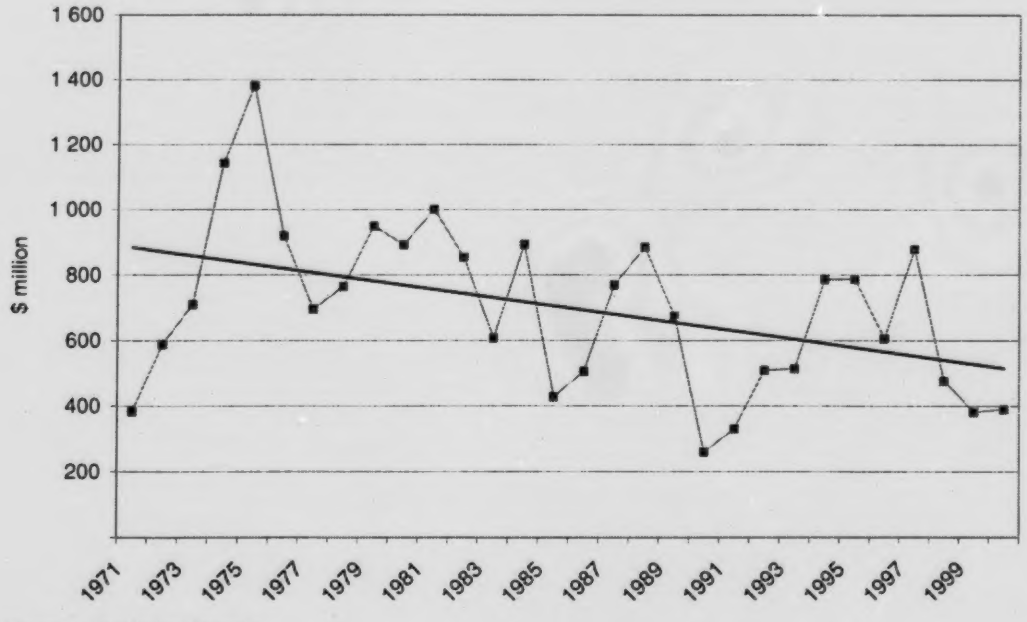
Farm Income Levels

Saskatchewan farm incomes have faced significant downward pressure since the mid-1970s due to many of the factors listed above. Realized net farm income in 2000 was $390 million, compared to the previous five-year average of $626 million. Realized net farm income (net income after depreciation) peaked in 1975 at $1.381 billion.

The Saskatchewan agriculture industry continues to be dominated by grain production. In 2000, just over 60 per cent of the province's farm cash receipts originated from the sale of crops, compared to 25 per cent from the livestock sector and nearly 15 per cent from program payments. Over the 1995-99 period, nearly 75 per cent of farm cash receipts in Saskatchewan were from the crop sector while just over 20 per cent originated from livestock and six per cent from program payments.

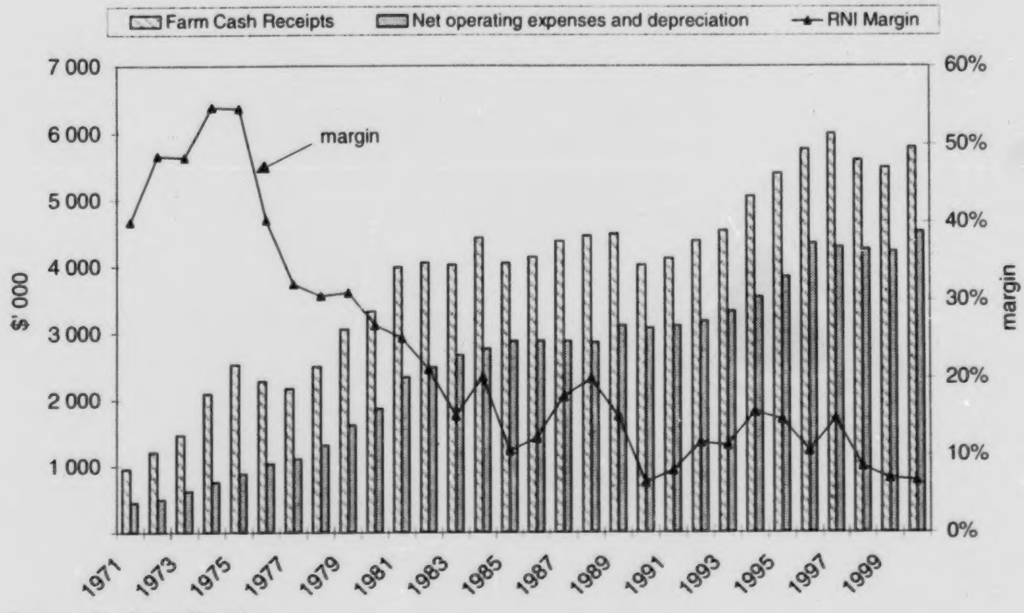
While farm cash receipts have increased significantly over the past 30 years, operating expenses have more than kept pace. In 1971, operating expenses were 48 per cent of farm cash receipts, while in 2000 operating expenses consumed 78 per cent of total farm cash receipts, resulting in a substantial reduction in income margin (after depreciation) over the last 30 years.

Saskatchewan Realized Net Farm Income, 1971 to 2000



Source: Statistics Canada

Saskatchewan Farm Cash Receipts, Net Operating Expenses and Depreciation, and Realized Net Farm Income Margin (RNI)

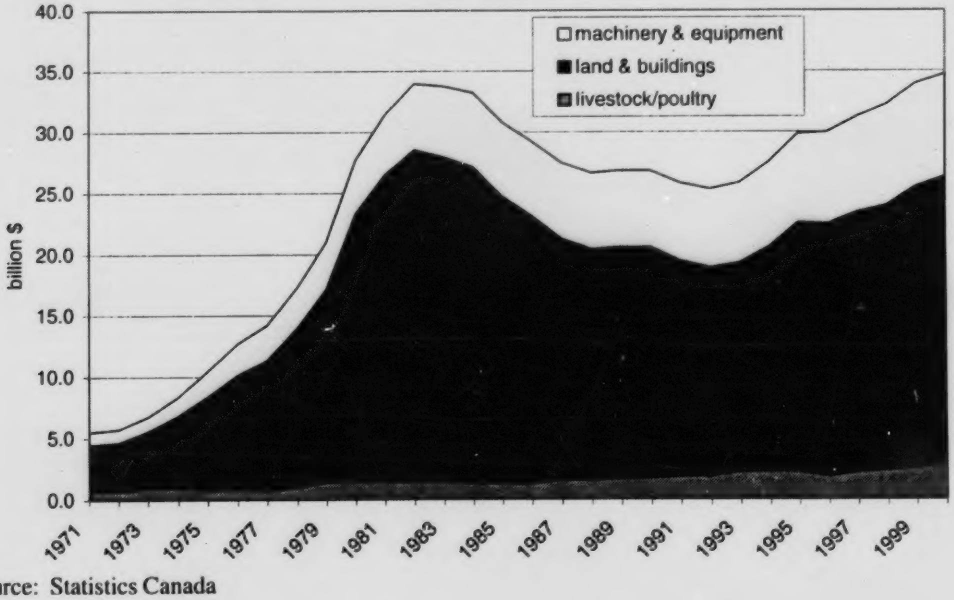


Source: Statistics Canada

Value of Farm Capital

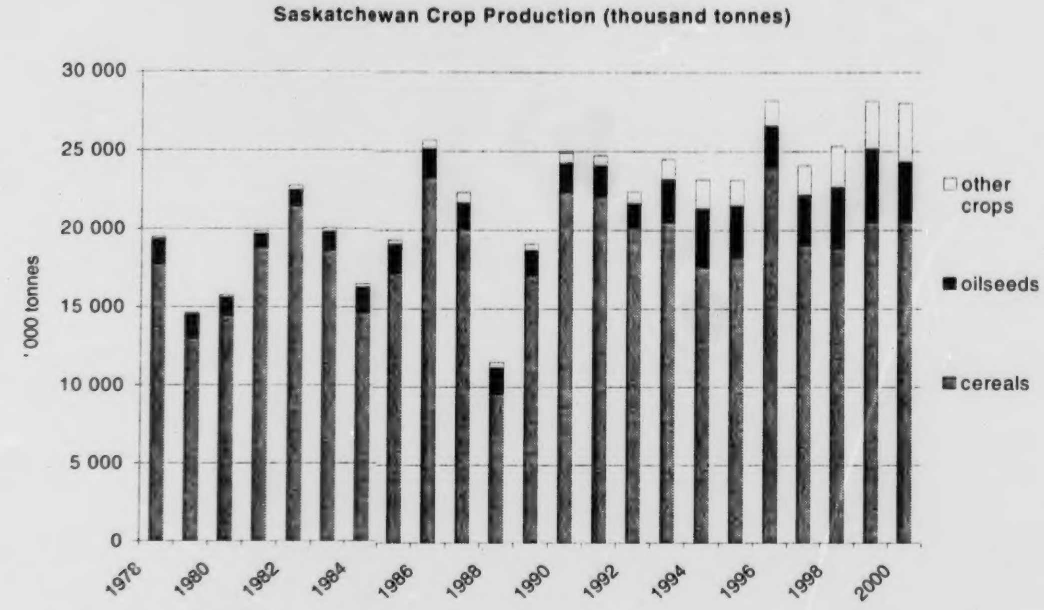
Investment in farm capital has grown significantly since the early 1970s. The total value of farm capital in 2000 was $34.7 billion, up from $5.5 billion in 1971.

Saskatchewan Value of Farm Capital, 1971 - 2000



Source: Statistics Canada

Production Mix on Saskatchewan Farms



Source: Statistics Canada

Crop production in Saskatchewan is dominated by cereal grain. However, oilseeds and specialty crop production have evolved into mainstream production practices. In 2000, cereal crop production represented approximately 73 per cent of total crop production in Saskatchewan followed by oilseeds at 14 per cent and other crops at 13 per cent.

In terms of cultivated acres, cereal grain acres have not changed significantly over the past 20 years. Crop rotations have evolved to include oilseeds and specialty crops, while summerfallow acres have declined considerably since 1980. In 1980, estimates indicate Saskatchewan had 2.4 million acres of oilseeds and 30 thousand acres of pulse crops. Seeded acreage estimates for Saskatchewan in 2001 indicate we have over six million acres of oilseed production and 5.7 million acres of pulse crops. During this period, summerfallow acres dropped from 17.6 million acres in 1980 to an estimated 7.8 million acres in 2001.

Farm Types

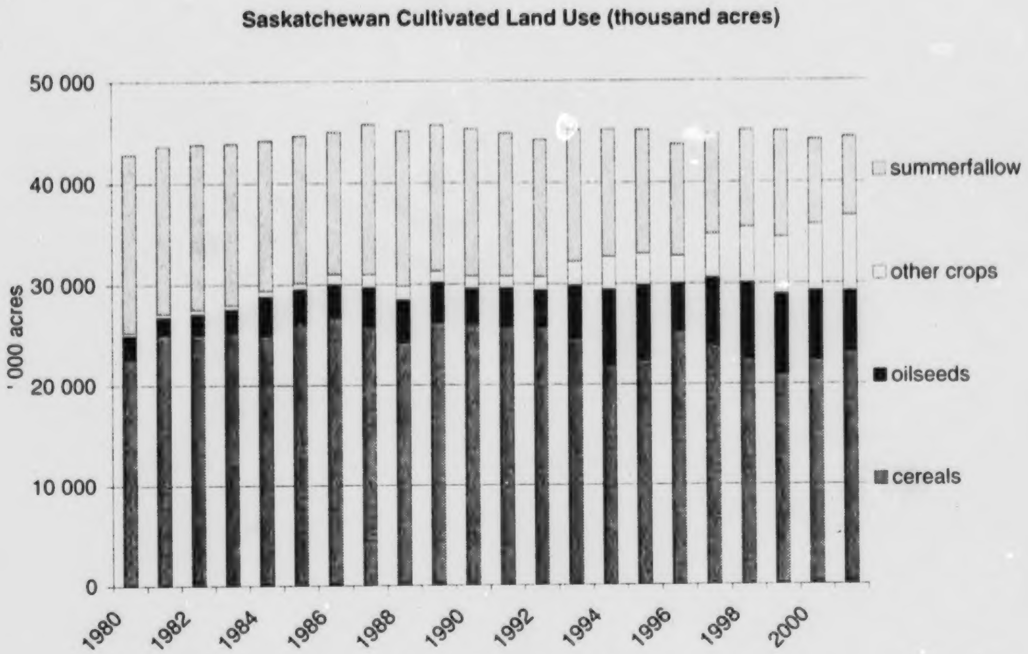
By Commodity

Note: A farm type classification is based on the percentage (more than 50 per cent) of the sales of the major commodity (or commodity groups).

As one would expect, farms in Saskatchewan are predominately grains and oilseed farms. Based on the 2000 Farm Financial Survey 1999, data indicates the following breakdown of Saskatchewan farm types:

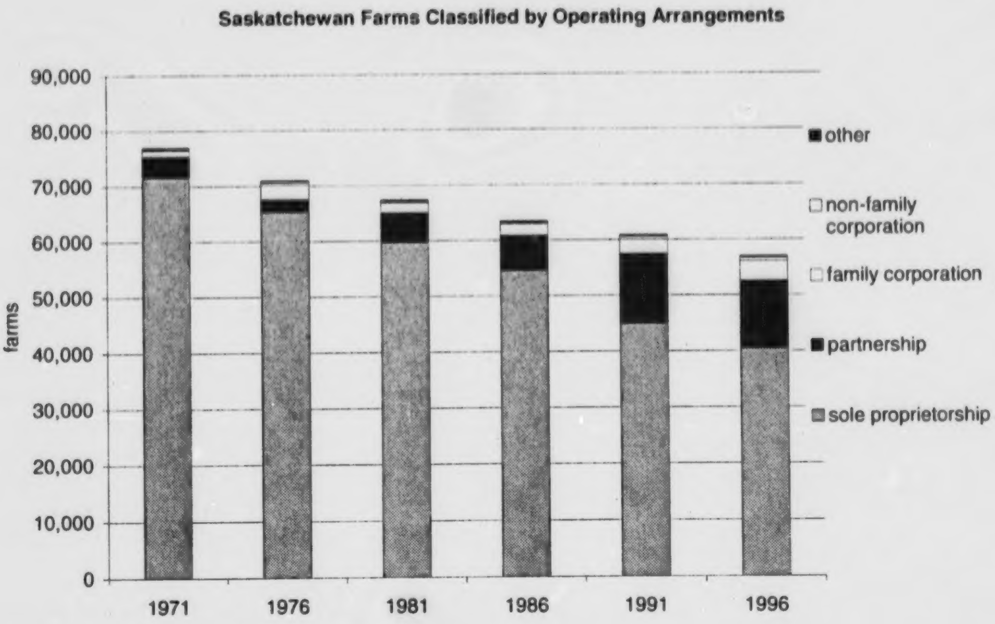
Grains and Oilseed Farms	73%
Beef Farms	22%
Hog Farms	1%
Dairy Farms	1%
Other Farm types	4%

Since 1995, the Farm Financial Survey indicates the number of grains and oilseed farms have diminished by 17 per cent, while the number of beef farms has climbed by 58 per cent. Overall, the survey points toward an 11 per cent reduction in the number of farms earning greater than $10,000 in gross farm receipts in Saskatchewan.



Source: Statistics Canada

The Farm Financial Survey does not include farms with less than $10,000 in gross farm receipts (which accounted for 12 per cent of Saskatchewan farms in the 1996 Census).



Source: Statistics Canada, 1996 Census of Agriculture

By Operating Arrangements

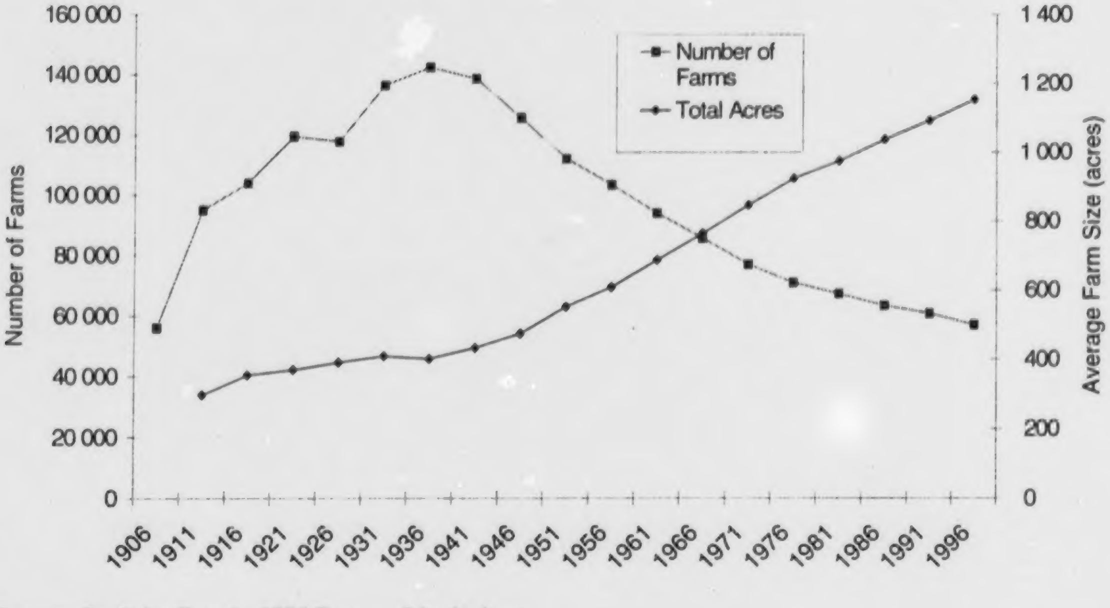
According to data from the 1996 Census of Agriculture, since 1971 the number of farms in Saskatchewan has declined by more than 20,000 from 76,970 to 56,995 in 1996. During this time period, the relative number of partnerships and corporations has increased while the number of farming operations classified as sole proprietorships has declined. Most of the partnership arrangements are operated without written agreements.

Farm Size

Data from the Census of Agriculture illustrates how the average farm size in Saskatchewan has increased over time as the number of farms decline. Over the past fifty years, the average farm size has more than doubled, while the number of farms has fallen by over 50 per cent.

Technology has allowed farmers to increase their output per acre as well as manage larger farm units. As a result, farm size has increased considerably and one can expect that the trend towards larger farms will continue for most commodities if the provincial production mix remains relatively stable. However, there is great opportunity for small site production to be expanded in this province, whether that be through expansion of intensive livestock operations, the production of higher value more intensive crop production (i.e. horticulture; organics; specialty crops); or through more part-time farmers who rely heavily on off-farm employment for the majority of their family income.

Number and Average Size of Saskatchewan Farms

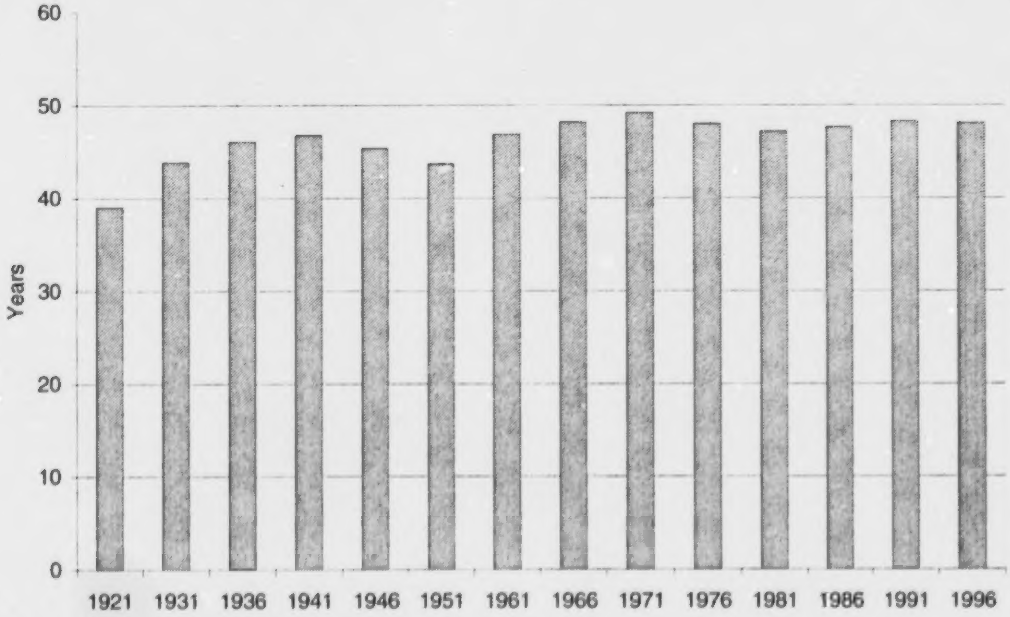


Source: Statistics Canada, 1996 Census of Agriculture

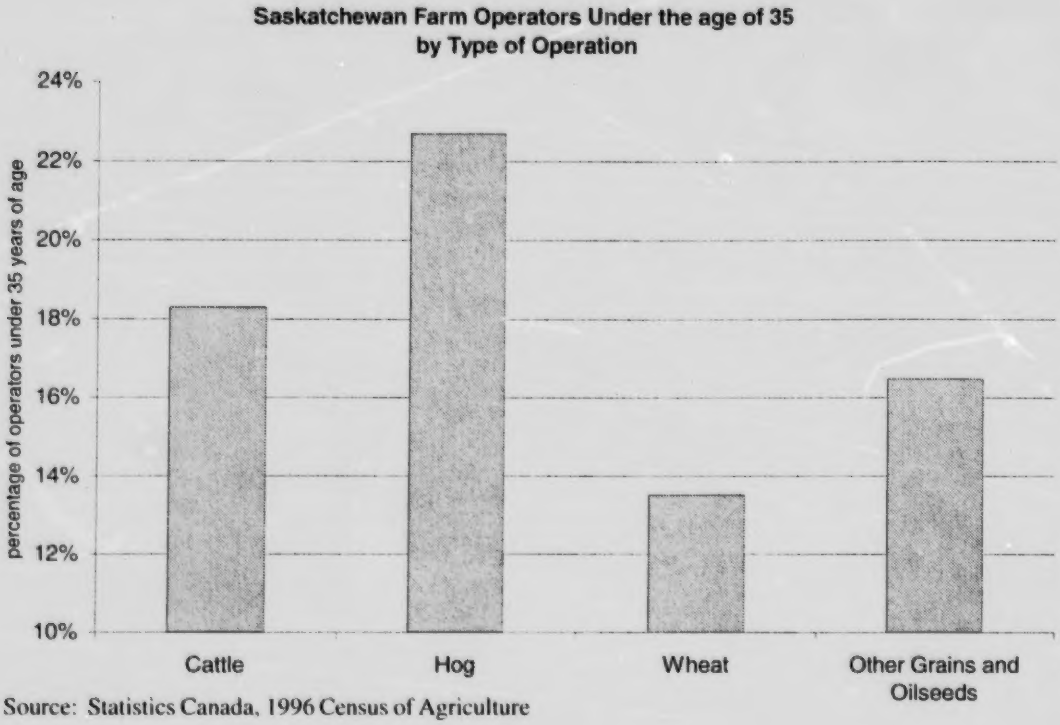
Demographics

While the number of farms has declined constantly since 1936, some people may be surprised to find that the median age of producers has not actually changed significantly during this period. The median age (meaning half of the farm operators are younger and half are older) of Saskatchewan farm operators was 46.1 in 1936, while in 1996 the median age was 48.1.

Median Age of Saskatchewan Farm Operators



Source: Statistics Canada, 1996 Census of Agriculture


Saskatchewan Farm Operators Under the age of 35 by Type of Operation

Source: Statistics Canada, 1996 Census of Agriculture

According to the 1996 Census of Agriculture, the proportionate number of farm operators under the age of 35 is slightly higher for livestock operations. This may be evidence that younger operators are more inclined to be attracted to livestock production, or as operators approach retirement they may be more likely to eliminate their livestock portion of their enterprise first. Either way, it is clear that attracting and retaining a younger generation of farmers will be a key in expanding the livestock sector in the province.

FARM LEVEL CHARACTERISTICS

Average Farm Balance Sheet [Farm Financial Survey (FSS)]

As farm numbers decrease, and average farm size increases, the average total assets and liabilities per farm have increased leaving the average net worth per farm relatively unchanged over the past five years. Over this same time period, falling grain prices and rising input costs have led to a significant decline in the average net cash farm income for Saskatchewan producers.

Financial Structure of all Farms by Revenue Class, Saskatchewan

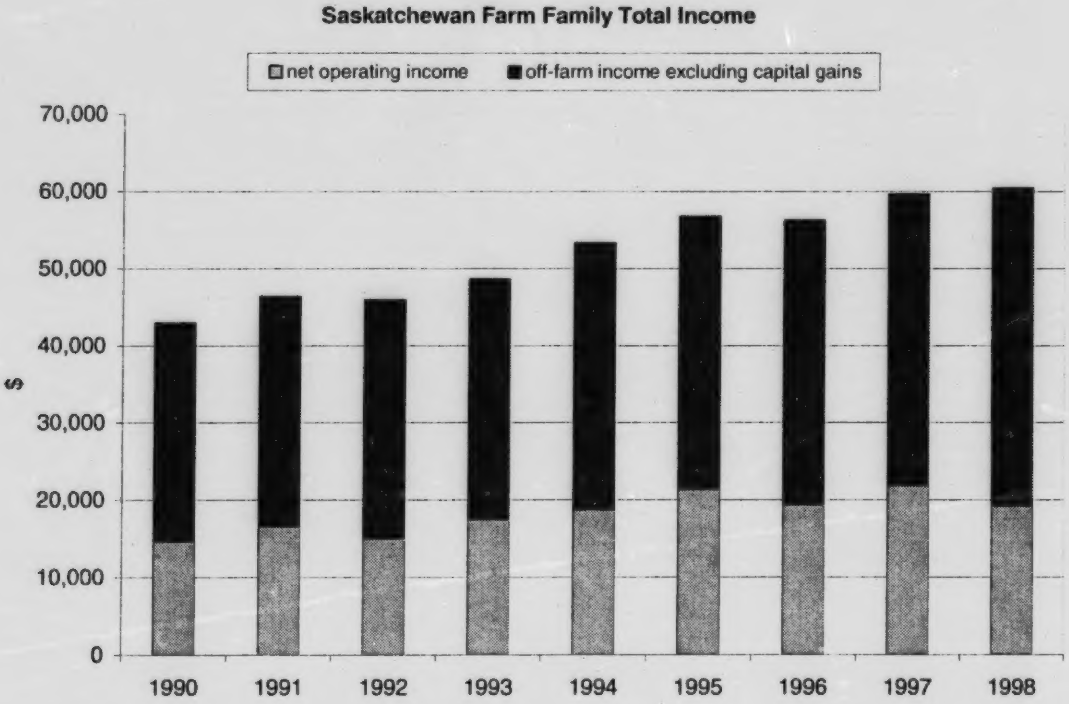
	1995	1997	1999
Number of Farms	46,505	42,105	41,590
	Average $ per farm		
Assets			
current assets	119,645	88,091	83,013
long-term assets	505,991	569,777	582,834
other assets	2,955	-	-
Total Assets	628,592	657,868	665,846
Liabilities			
current liabilities	12,553	11,030	24,033
long-term liabilities	74,719	81,698	89,946
Total Liabilities	87,272	92,728	113,979
Net Worth	541,320	565,140	551,867
Revenue			
farm sales	114,117	132,817	120,280
program payments	6,673	5,036	5,677
Total Revenue	120,790	137,853	125,957
Expenses			
interest expenses	7,274	7,318	8,331
family wages from the farm	4,905	4,799	4,192
other expenses	75,991	96,265	94,055
Total Expenses	88,169	108,382	106,579
Net Cash Farm Income	32,620	29,471	19,378

Source: Statistics Canada, Agriculture and Agri-Food Canada Farm Financial Survey

Average Income Levels for Farm Families

According to the Statistics Canada taxfiler information, the average Saskatchewan Farm Family income in 1998 was $60,507. Of this income, $41,311 or 68 per cent was off-farm income and $19,196 (32 per cent) was net farm operating income. Since 1990, average farm family income has risen by $17,500, with off-farm income rising by $12,895 or 74 per cent, and net farm operating income rising by $4,605. As average farm size continues to increase, farm family income is becoming more dependent on off-farm income.

The analysis below is based on averages. It is important to be aware that there is no one typical farm. Differences in size, production mix, number of operators, age of operators, and numerous other variables exist between the farms in Saskatchewan.



Source: Statistics Canada, Taxfiler data

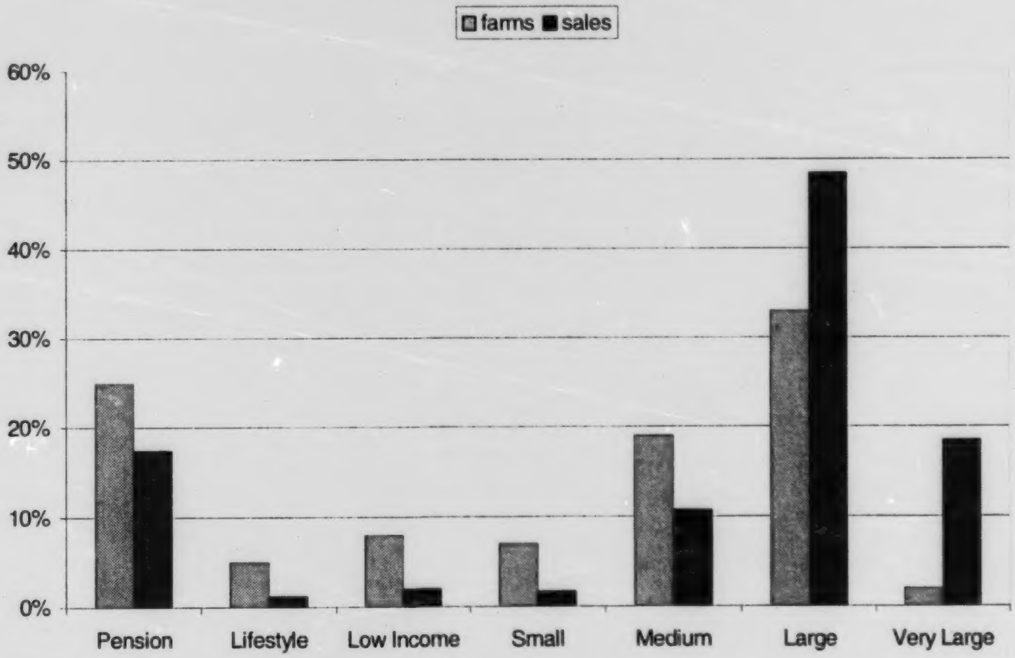
Farm Typology Data

One means of trying to understand what is happening in the industry and assessing the important information that gets lost when looking at industry level averages, is to break the farm data down into different groups with similar characteristics. An analysis, carried out by Agriculture and Agri-Food Canada (AAFC), on farm taxfiler data has provided some further perspective for different farm types. This study looks at farm characteristics under the following definitions:

- **Pension Farms:** main operator is 60 to 64 and receiving pension income (CPP) and all farm operators 65 years of age and older.
- **Lifestyle Farms:** gross revenues of $10,000 to $49,999, off-farm income of $50,000 and over, and negative net operating income.
- **Low Income Farms:** gross revenues of $10,000 to $49,999 and total family income below $20,000.
- **Small Farms:** gross revenues of $10,000 to $49,999 and not in the lifestyle or low-income category.
- **Medium Farms:** gross revenues of $50,000 to $99,999.
- **Large Farms:** gross revenues of $100,000 to $499,999.
- **Very Large Farms:** gross revenues of $500,000 or more.

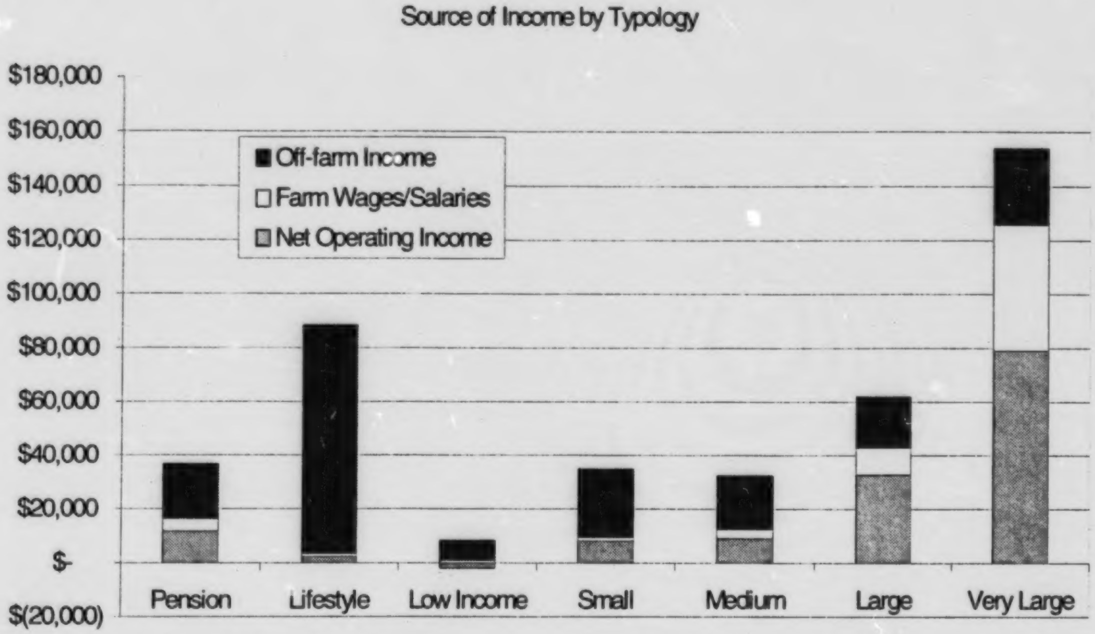
Using these definitions of farm types, the study indicates that the large and very large farms represent 35 per cent of all farms and account for 67 per cent of all farm sales.

Distribution of Farms by Typology and Sales, Saskatchewan, 1999



Source: Agriculture and Agri-Food Canada

Sources and average levels of income using these typologies are as follows:



Source: Agriculture and Agri-Food Canada

Farm Typology, Saskatchewan, 1999

Typology	# of farms	% of farms	% of sales	% of payments	Net Operating Income ($)*	Total Family Income ($)**
Pension	10 375	25	17	24	11 800	36 860
Lifestyle	2 200	5	1	2	2 230	88 515
Low Income	3 385	8	2	2	- 1 990	6 410
Small	2 860	7	2	3	8 175	35 065
Medium	8 065	19	11	15	9 155	32 590
Large	13 720	33	49	48	32 750	61 985
Very Large	925	2	19	5	79 015	154 120
ALL FARMS	41 585	100	100	100		

Source: Agriculture and Agri-Food Canada

* farm family's share of net operating income.

** total family income includes net operating income, farm wages and salaries and off-farm income.

Note: Number of farms in typology data differs from number of census farms because the typology data only includes producers with annual sales greater than 10,000.

Highlights of the 1999 AAFC typology include the fact that:

- Just over one-third of Saskatchewan farms - large and very large farms account for over two-thirds of farm sales and 53 per cent of program payments. When pension farms are added to this group, they represent 60 per cent of farms, 84 per cent of sales and 77 per cent of program payments.
- Net operating income varies considerably across the different typologies. Only the large and very large farms appear to generate enough income directly from the farm to be self-sustaining. The rest of the typologies rely heavily on off-farm income sources to realize a "typical" family income.
- The one exception is the low income classification, which is unable to generate a significant income from on or off the farm. This group tends to be made up of producers with a small farm base and very little off-farm income.

The variability in farm types suggests that a "one-size-fits-all" approach to agricultural programs is not effective in assisting producers with the challenges they face. While the current farm programs may be an effective stabilizer for large and very large farms, small and medium size farms may require a different program mix. The industry will face further rationalization as pension farms prepare to exit the industry and low income and small farm operations are unable to generate sufficient levels of income to remain viable. While the current group of "pension farms" will ultimately exit the industry regardless of government actions over the next few years, the issue of how best to help the "low income," and "small" farms stay and contribute to rural Saskatchewan cannot be addressed through safety net programs.

INFRASTRUCTURE AND INSTITUTIONAL CHANGES AND THE IMPLICATIONS FOR FARMERS

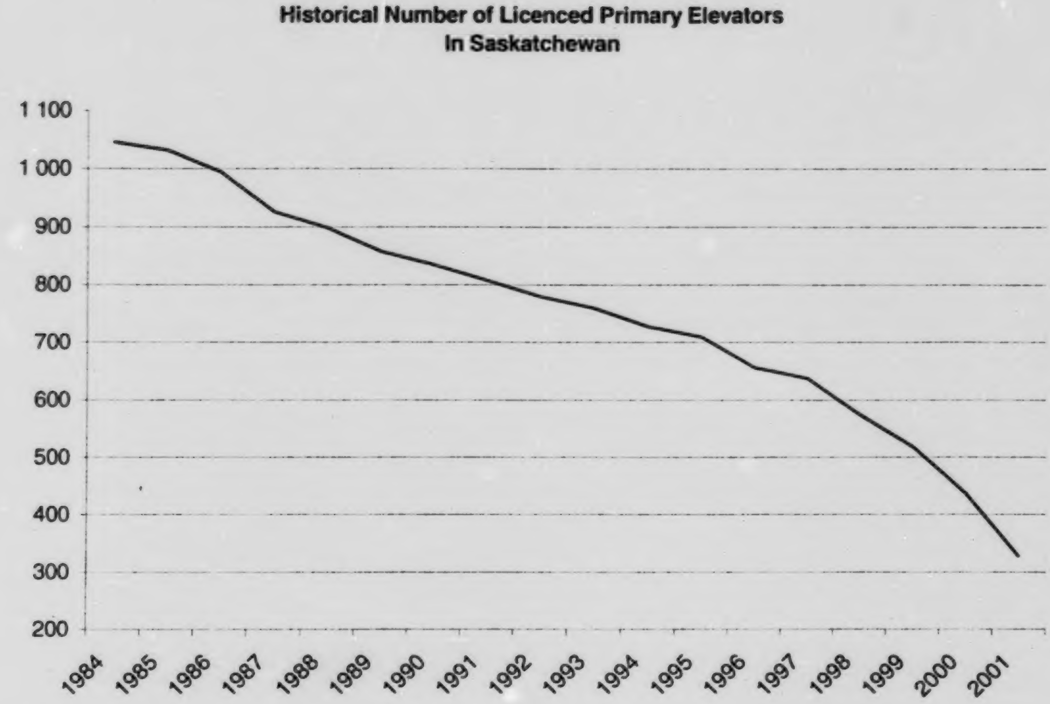
Grain Transportation Consolidation

The primary agriculture industry in Saskatchewan, which is dominated by production of bulk commodities, relies heavily on infrastructure to move products to export markets. This infrastructure has undergone numerous changes in recent years, including closure of elevator branch lines and consolidation of the elevator system.

In 1984/85, Saskatchewan had 1,045 licensed primary delivery points. As of July 11, 2001, only 327 licensed primary elevators remain and average producer hauling distances have increased from 15 km in 1980 to an estimated 38 km in 2000. In the last year alone, over 75 stations (towns) have lost elevator service and a total of 110 elevators have closed in Saskatchewan. Since the 1970s, branch lines in Saskatchewan have shrunk from a network of 13,900 km to approximately 9,900 km today.

These changes, and other reductions in rural services, have forced producers to travel greater distances to deliver their production and purchase inputs leading to higher costs for transportation and increased wear of rural roads. Some have argued that the reduced number of delivery and supply centres has resulted in less competition and higher costs of production.

Saskatchewan has a large area to cover and a small population base for taxation. Innovative thinking is required in order to have a useful and successful infrastructure that will serve the need both now and in the future.



Historical Number of Licenced Primary Elevators In Saskatchewan

Source: Canadian Grain Commission, Grain Elevators in Canada

Rural Services

Not only has the consolidation of the grain handling and transportation system had a significant impact on farmers, the rationalization of a number of rural services have impacted the quality of life and the cost structure for many farmers. Access to hospitals, schools, and recreation facilities, communications services (postal, courier, internet, telephone) and the conditions of rural roads influence the quality of life for rural residents and farmers alike. Access to three-phase power, natural gas, water, local agriculture lenders, farming expertise, are also critical issues and can affect the cost structure of farm enterprises.

SUMMARY OF TRENDS AND WHAT WE CAN EXPECT IN THE FUTURE

- Saskatchewan is now, and will continue to be, a competitive player in the global food system, but present trends in production and marketing are making it more difficult for farmers to obtain sufficient net returns to remain viable.

- Changing technology has allowed producers of commodities around the world to increase productivity, both in terms of per unit output and in terms of being able to manage larger production units resulting in significant increases in output per person involved in the industry. As a result, the Saskatchewan agriculture industry, which is heavily based on larger land based production systems (export grains), is trending towards having fewer and fewer farm families over time. We need to make choices as to whether we are willing to let this trend continue or are we willing to take the actions needed to significantly change the fundamental mix of this industry to one that is more of a "people" based model.

- Technology has also made the agriculture industry much more capital intensive. Producers need capital and expertise to adapt the new technology that is developing every day in this industry. Producers also need sound and unbiased information to determine the appropriateness of technology being offered.

- The capital-intensive nature of the industry makes intergenerational transfer of the family farm challenging. With many producers nearing retirement age it is important that the industry have mechanisms to help the next generation enter the industry.

- The loss of the Crow Benefit has provided many challenges but also many opportunities for Saskatchewan farm families. Saskatchewan farms have undertaken significant diversification in the crops area over the last decade with grain farmers now growing over 50 different crops (depending on market conditions) yet the industry has not yet fully capitalized on many more opportunity areas that exist for example:
    - livestock (both traditional and non-traditional), pulse crops, fruit crops, certified organic and other identified preserved production, crops used for alternative energy production, participation of the primary sector in value-added processing, life science products (such as fibre and nutraceutical products).

- To have sustainable primary production in this province we must:
    - protect the natural resource base; prevent the degradation of soil, water, and air quality; and conserve biodiversity;
    - ensure a safe and high quality supply of agriculture products;
    - safeguard the livelihood and well-being of agriculture and agri-food workers and their families; and
    - contribute to the economic and social well-being of all Canadians.

- Awareness of our impact and reliance on the environment as producers and consumers has triggered the need to examine and respond to a number of issues. Food quality and safety, and environmental stewardship are issues affecting society as a whole and must be addressed with that in mind.

- These trends suggest that new and innovative approaches are needed to help farm families adjust to the challenges that lie ahead and end the cycle of recurring farm crisis. The current situation for farm families is broadly variable and there are many unique directions in which individual farm families may take their operations in the future. As such, the actions needed by government and the recommendations of this Committee are very diverse in nature.

- The Farm Structure/Farm Income Committee has grouped recommendations to government into three main areas: youth and population; capital; and farm support.

RECOMMENDATIONS

The Agriculture Subcommittee and the Agri-Value Subcommittee previously provided ACRE with a thorough summary of the trends affecting the agriculture and agri-value industry in Saskatchewan and the opportunities and challenges facing the industry. It is obvious that in order for the industry to take full advantage of the many opportunities that exist, primary producers need to be involved.

It is recognized that there are many obstacles and risks involved in turning opportunities into viable business enterprises and as such, it is essential that we take steps to help primary producers and other rural residents in addressing the obstacles by providing the tools which allow them to participate in and capture benefits from the opportunities previously identified. In order for the industry to take full advantage of the many opportunities that exist, the main focus must be on the sustainability of farming systems.

Based on the work already completed by other ACRE Subcommittees, the ACRE Committee as a whole, and the farm level trends that have been identified in this paper, the Farm Structure/Farm Income Subcommittee feels that there are three key areas where actions need to occur in order to allow producers to address the challenges they are facing on the farm and to help them capture benefits from the opportunities that exist. These areas are:

Youth and population - there needs to be a reason for people to continue to be involved in farming and encouragement for young people to get into the agriculture business if we are going to continue to have viable rural communities.

Capital - farmers need to have access to capital to take advantage of the opportunities that are presented. There is not sufficient capital from within the industry to meet all of the capital needs. We need to create an environment that will lever increased outside investment into the industry.

Farm Support - farmers need farm support programs that are adequately funded and designed to increase the long-term competitiveness of the industry while addressing short-term income instability issues.

I. Youth and Population

A sustainable Saskatchewan will require people in rural areas. It is not enough to simply generate more revenue or production. The future of this province is in successive generations. Individuals and particularly youth must have a reason to enter, stay, and be encouraged to participate in the Saskatchewan economy.

Governments should take actions to assist in the intergenerational transfer of farms. Producers must have adequate resources available to be able to enter and exit the industry without negatively affecting the integrity of a viable operation or their ability to meet personal financial needs.

Recommendation - Intergenerational Transfer

It is recommended that governments should implement a taxation incentive/assistance program to help older farmers pass on the land to a succeeding generation.

Recommendation - Retain and Attract Youth

As a means of encouraging youth to stay in or relocate to Saskatchewan to start businesses and families, government should explore the potential for a special youth income tax structure. As resources permit, a program to provide the lowest income tax in Canada for those under 35 years of age (farmers and others) could be established. For example, tax rates could start at a nominal rate for youth and increase to regular rates as individuals approach 35.

II. Capital Needs

Recommendation - Facilitating Adjustment

In order to make a significant and lasting transition into livestock and other long-term sustainable sectors, farmers may need to make substantial capital investment. Some new operations will require new and specialized equipment or will need to purchase livestock, plants or other tools. Government can assist this transition through the following actions.

a) Governments should promote machinery or land cooperatives, or collaborative ventures that promote the shared use of specialized equipment, through a more favourable tax environment (i.e. the use of tax credits for those investing in cooperative ventures).

b) Governments should expand the Livestock Loan Guarantee Program (bison females, feedlot program, expanded dollars in existing program).

c) Governments should examine other available options for assisting producers such as loan guarantees in other areas, interest subsidies or tax incentives for those in transition to sustainable production systems.

d) Governments should invest in the infrastructure that is needed to accompany the transition into new sectors. This may include:

  - encouraging development of related sectors along logical corridors;
  - providing financial support for water development for livestock operations, incorporating necessary environmental principles of sustainability, health and safety; and
  - providing financial assistance through loans or incentives for development of necessary facilities for livestock or specialized crops (vegetables, herbs, organics, berries, etc.).

e) Governments should expand efforts to facilitate increased forage production.

f) Governments need to develop a central registry of available service providers and producer demand for services to facilitate a more effective use of agriculture resources.

g) Governments need to increase resources available for training people for a career in agriculture and rural businesses.

h) Governments should provide technical expertise or a vehicle to link producers to the technical expertise on market information and market access and development issues.

Recommendation - Farm Ownership

Given that the opportunities in this province far out weigh the capacity of our internal capital resources, the attraction of outside investment will assist in stimulating growth and economic development within the agriculture sector. In an effort to put our industry on a more level playing field with neighbouring provinces when it comes to attracting outside investment into the industry, the province should consider changes to the Farm Ownership Provisions under the Saskatchewan Farm Security Act.

a) The provincial government should remove the residency requirements under the Farm Land Security Act for all individuals who are Canadian citizens.

b) The provincial government should examine lifting the ownership restrictions under the Farm Land Security Act for specific development corridors or value-adding agricultural industries that are known to have significant local economic impact and are currently generally approved under the existing exemption provisions (horticulture, livestock, etc.). The objective is to encourage outside investment in Saskatchewan into areas that will stimulate growth within the province.

III. Farm Support

With a finite amount of taxpayer dollars, the importance of a properly functioning, affordable and effective support structure is critical. Governments must more efficiently target and cap programs and payments and assist producers in transition to production systems that are much less reliant on government support. Farm support priorities must focus on helping producers adjust their operations and management skills so they can move effectively into long-term, sustainable sectors. Governments must be prepared to maintain strong social institutions, an effective regulatory system, labour legislation, and a just taxation system, to balance the increasing concentration of corporate power in today's global economy.

Recommendation - Invest in Research and Development

Governments should invest a maximum amount of available government dollars into publicly accessible applied research and development that will provide the greatest benefits in opportunity areas, education, and technology transfer for the industry.

Recommendation - Research into Energy Conservation and Alternative Fuel Sources

Governments should invest significantly in research aimed at reducing fuel consumption, providing alternative fuel sources, and farming practices that help farmers better utilize land and energy resources (e.g. integration of livestock and field crop production to reduce reliance on synthetic fertilizers). This will result in lower input costs for producers, alternative markets for some agricultural commodities and improved environmental stewardship by the industry.

Recommendation - Make Short-Term Assistance More Effective

Adequate short-term assistance is still required for stabilization and disaster programming during the transition period. In order to make the most effective use of this funding government must adjust current programs to better target need including improved disaster protection. The provincial Farm Support Review Committee and the National Safety Net Review process must be directed to find meaningful changes to the package of farm support programs [crop insurance, the Net Income Stabilization Account (NISA) program, and the Canadian Farm Income Program (CFIP)] including improving existing programs, the possible elimination of programs or portions of programs, and the introduction of new programs. It is essential that governments and the general public recognize that producers are not seeking income assurance but rather, adequate protection against disasters.

Recommendation - Programs Equally Accessible to all Producers

Any programs, long or short-term, must be designed to be accessible to all producers, including First Nations farmers.

Recommendation - Education Tax on Farmland

Government should take steps to alleviate the current education tax burden on farmland. This may include increased provincial funding for education, changes to the manner in which properties are now assessed, or a continuation of the education property tax rebate programs for farmland. In addition, the government should also examine the impact of the current education governance structure on system efficiency and decision-making.

acre

ACTION COMMITTEE ON THE RURAL ECONOMY

Resource Sector Subcommittee Report

March 2001

Phil Reeves (Chair)
Les Lindberg
Ray Frehlich

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INTRODUCTION

The resource sector subcommittee is composed of Phil Reeves (Saskatchewan Mining Association), Ray Frehlick (Petroleum Services Association of Canada) and Les Lindberg (Canadian Bankers Association) and supported by Steve Rymes (Saskatchewan Energy and Mines), Shelly Vandermey (Saskatchewan Environment and Resource Management), Vice Chief Guy Lonechild (Federation of Saskatchewan Indian Nations) and Alan Syhlonyk (Saskatchewan Agriculture and Food).

The committee developed the mandate to provide recommendations to enhance the continuing contribution of the resource sector to the vitality of the rural economy. Implementation of the recommendations will:

- provide long term employment opportunities;
- encourage sustainable resource use;
- economically exploit regional/provincial advantages; and
- encourage and reward the use of local capital in fostering resource development.

The resource sector contributes 12-16% of the provincial Gross Domestic Product, has seen average annual growth of 3.1% from 1984 through 1998 and represents 3-5% of rural employment.

The committee, in examining the resource sector, reviewed and made recommendations in the areas of oil and gas, mining, forestry, Crown land, land, water and electricity. In examining each area, the committee approach included an examination of the contribution of each resource to the rural economy, with a view of what changes were likely to happen over the next ten to fifteen years, how additional value added could be captured, identification of constraints and opportunities and concluded with the identification of issues that needed to be addressed to realize the full opportunity from the resource. Although the recommendations that follow are specific for each resource, there were central themes that evolved:

- creating a competitive environment through fair taxation with clear and simple development rules;
- the need for provincial support in research and development and in maintaining information;
- the need for education and training programs; and
- the need for targeted and planned investment to enhance the benefits of resource use to rural Saskatchewan.

RECOMMENDATION SUMMARY

General

Generally, there is a lack of knowledge in Saskatchewan about the resource sector and its contribution to the rural economy. The committee recommends that the benefits of the resource sector, particularly in terms of employment, be built into the larger communications strategy to encourage rural Saskatchewan to welcome the economic growth opportunities and employment associated with resource development.

The committee recommends that the Province of Saskatchewan develop a labour strategy to meet the resource sector's ongoing labour needs. This strategy needs to recruit youth and aboriginal people and provide them with the necessary skills so that they can live and work in rural Saskatchewan.

First Nations control a large land resource that is an integral part of rural Saskatchewan. The committee recommends that the Government of Saskatchewan work with First Nations to facilitate development of First Nation resources.

Oil and Gas

The provincial government is encouraged to continue to better align the electricity rates charged by SaskPower with the average cost to SaskPower of providing the service, i.e. reduce the cross-subsidization.

The industry has developed a niche of expertise in the development of marginal reserves and the province must continue to support relevant oil and gas research and development, through facilities such as the Petroleum Technology Research Centre.

Mining

Taxation is still the major disincentive to attracting new investment capital. The provincial government should eliminate or phase out the Corporation Capital Tax Surcharge to maintain the province's competitiveness with other jurisdictions.

The provincial government should continue to examine royalty rates for the various non-renewable resources to ensure they are competitive with other jurisdictions.

Forestry

The committee recommends the province encourage training of rural residents, including First Nations, to participate in opportunities related to the forestry sector.

The provincial government should also support the Forest Centre of Excellence (value-added research and identification of market opportunities).

There are opportunities to use the province's hardwood resource (poplar) for purposes including, but not limited to oriented strand board. The committee recommends that the province create awareness of the opportunities for utilizing the province's hardwood resource so that private investment and related employment can occur.

Water

The committee recommends that the Saskatchewan Government develop a plan for infrastructure buildout around key irrigation sites such as, but not limited to, Lake Diefenbaker, the Rafferty and Alameda Reservoirs and the South Saskatchewan River that includes synchronized public and private investment.

Land

Land access is a critical component of resource development. The committee recommends that the government develop a land use planning process that takes a balanced approach to land management in the province and establishes fair and consistent rules with respect to land use for the province.

Saskatchewan must establish and maintain a complete, accurate and current ecological and geological information database and increase its availability to industry in order to compete with other jurisdictions for limited exploration and development dollars.

In order to improve compliance and understanding, and as a matter of fairness, the rules, regulations and taxation of all rural municipalities should be more consistent and should apply equally to all ratepayers. Specifically, the application of road haul agreements and variable mill rates needs to be addressed.

The provincial government, through Municipal Affairs and Housing, needs to ensure that there is consistency in zoning and development and that a proper balance between provincial and local interests is established so that provincial opportunities and interests are not foregone.

Crown Land

The committee recommends that the Saskatchewan Government encourage the conversion of marginal cultivated agricultural Crown land to perennial forage and examine the development of an infrastructure program that would provide Crown land tenants the means to construct required facilities on lands being converted to perennial forage thereby enhancing the livestock industry.

Also, it is recommended that the Saskatchewan Government examine mechanisms to form or expand existing community pastures or co-operatives through public/private/corporate partnerships.

The committee asks that the Saskatchewan Government examine the current sale of Crown lands with a view towards delaying sales and entering into new long term leases where there is potential to assemble lands for joint programming related to grazing. (For example, establishing a backgrounding operation using Crown and private lands in conjunction with a feedlot to further a community project.)

Finally, it is recommended that the Saskatchewan Government establish the legislative, regulatory and policy framework to encourage the sustainable non-traditional and, where possible, multi-use of Crown agricultural lands for the benefit of rural residents and that new leases issued contain clauses allowing for integrated multiple uses.

RESOURCE SECTOR REPORT

In viewing the resource section, the committee identified six resource areas on which to focus its attention:

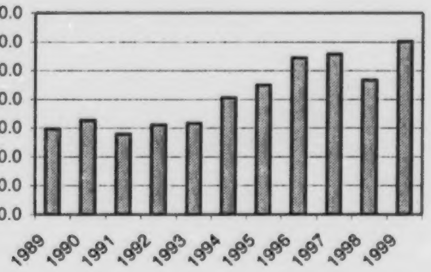
- Oil and gas developments
- Mining developments
- Forestry (on Crown lands) developments
- Power generation developments
- Water developments
- Land as a resource

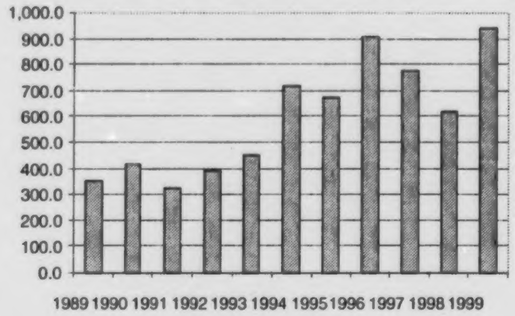
In reviewing these resource sectors, it became apparent that three sectors - oil and gas, mining and power generation could be viewed as mature industries while the other two - forestry and water fall more into the category of emerging or developing industries.

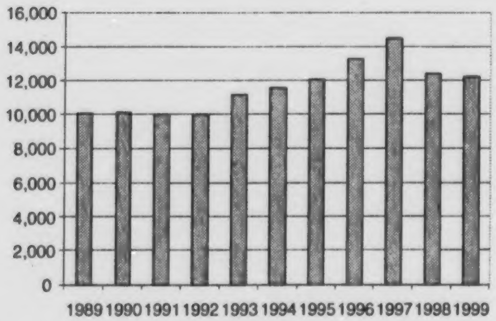
In considering opportunities and barriers for each of these sectors, it became apparent there were a number of overriding themes that applied to virtually every sector - employment issues, land access and investment climate.

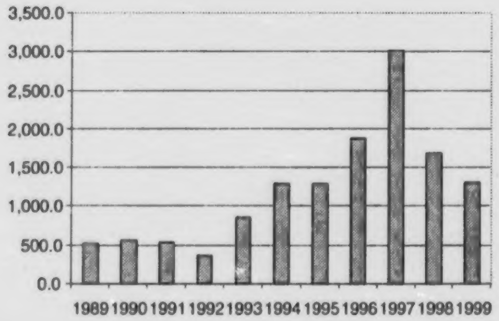
The resource sector contributes 12-16% of the provincial Gross Domestic Product, has seen average annual growth of 3.1% from 1984 through 1998 and represents 3-5% of rural employment.

The key resources are as detailed on Figure 1.


Value of Sales/Production ($ millions)


Royalties and other Revenues ($

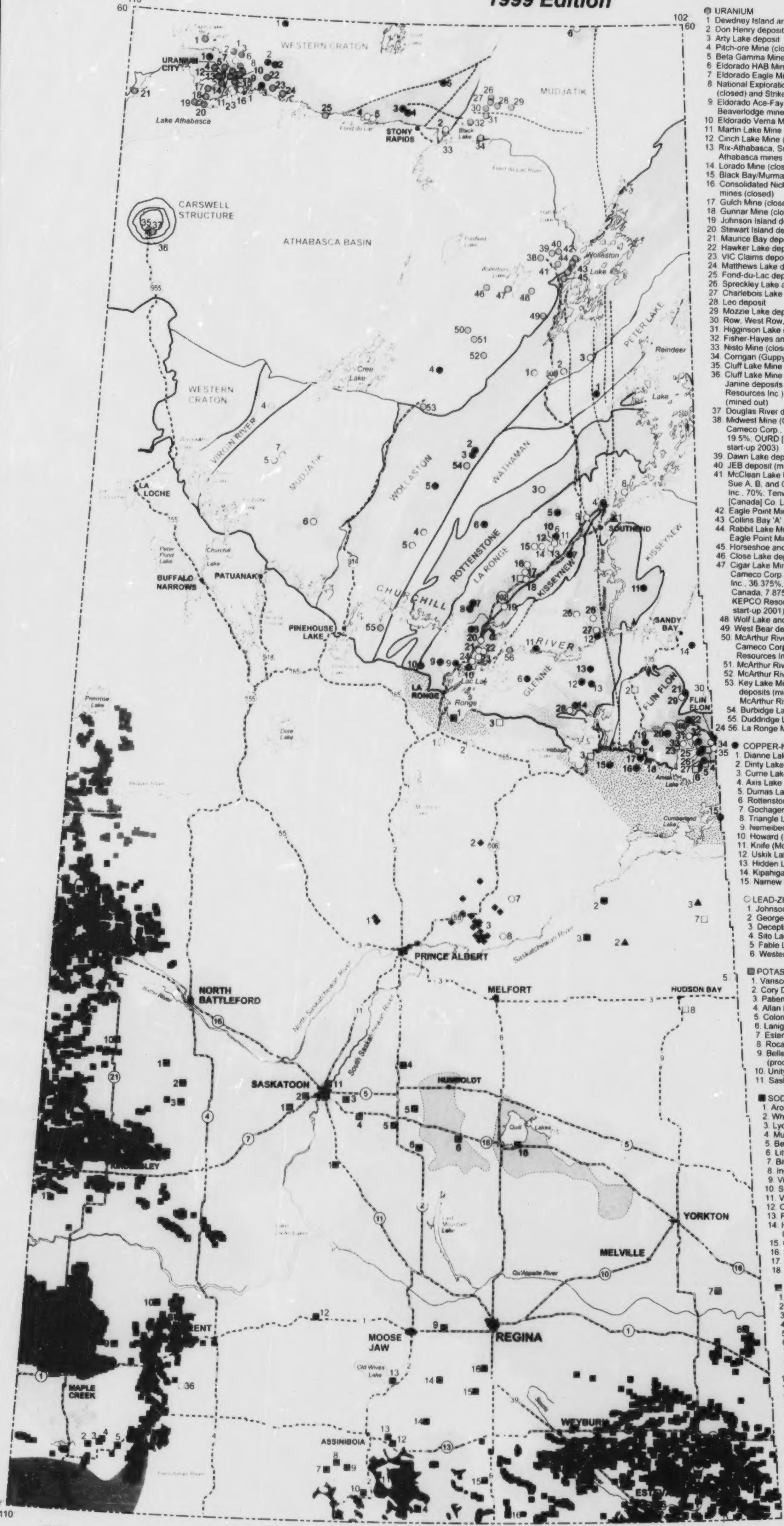

Direct Employment


Capital Spending ($ millions)

Saskatchewan Energy and Mines
Saskatchewan Geological Survey

MINERAL RESOURCE MAP OF SASKATCHEWAN

1999 Edition



KEY TO NUMBERED MINERAL DEPOSITS†

● URANIUM
1 Dewdney Island and Laird Island deposits
2 Don Henry deposit
3 Arty Lake deposit
4 Pitch-ore Mine (closed)
5 Beta Gamma Mine (closed)
6 Eldorado HAB Mine (closed) and Baska prospect
7 Eldorado Eagle Mine (closed) and ABC deposit
8 National Explorations and Eldorado Dubyna mines (closed) and Strike deposit
9 Eldorado Ace-Fay, Nesbitt Labine (Eagle-Ace), and Beaverlodge mines (closed)
10 Eldorado Verna Mine and Bolger Open Pit (closed)
11 Martin Lake Mine (closed)
12 Cinch Lake Mine (closed)
13 Rix-Athabasca, Smitty, Leonard, and Cayzor Athabasca mines (closed), St. Michael deposit
14 Lorado Mine (closed) and Uranium Ridge deposit
15 Black Bay/Murmac Bay Mine (closed)
16 Consolidated Nicholson Bay and Fish Hook Bay mines (closed)
17 Gulch Mine (closed)
18 Gunnar Mine (closed)
19 Johnson Island deposit
20 Stewart Island deposit
21 Maurice Bay deposit
22 Hawker Lake deposit
23 VIC Claims deposit
24 Matthews Lake deposit
25 Fond-du-Lac deposit
26 Spreckley Lake and David deposits
27 Charlebois Lake deposits
28 Leo deposit
29 Mozzie Lake deposit
30 Row, West Row, and ART deposits
31 Higginson Lake (Dianne) deposit
32 Fisher-Hayes and Paisley Lake deposits
33 Nisto Mine (closed)
34 Corrigan (Guppy Lake) deposit
35 Cluff Lake Mine - Claude deposit (mined out)
36 Cluff Lake Mine - Dominique-Peter and Dominique-Janine deposits (underground mining, COGEMA Resources Inc.), 'D', 'N' and 'OP' deposits (mined out)
37 Douglas River deposit
38 Midwest Mine (COGEMA Resources Inc., 56%; Cameco Corp., 20%; Tenwest Uranium Ltd., 19.5%; OURD [Canada] Co. Ltd., 4.5%; start-up 2003)
39 Dawn Lake deposit
40 JEB deposit (mined out)
41 McClean Lake Mine (North and South deposits, Sue A, B, and C deposits; COGEMA Resources Inc., 70%; Tenwest Uranium Ltd., 22.5%; OURD [Canada] Co. Ltd., 7.5%; start-up 1999)
42 Eagle Point Mine (Cameco Corp.)
43 Collins Bay 'A' and 'B' Zone deposits (mined out)
44 Rabbit Lake Mine (mined out), mill processing Eagle Point Mine ore
45 Horseshoe and Raven deposits
46 Close Lake deposit
47 Cigar Lake Mine (Cigar Lake Mining Corp. = Cameco Corp., 48.75%; COGEMA Resources Inc., 36.375%; Idemitsu Uranium Exploration Canada, 7.875%; Tepco Res. Inc., 5%; KEPCO Resources America Ltd., 2%; start-up 2001)
48 Wolf Lake and Sand Lake deposits
49 West Bear deposit
50 McArthur River Mine (P2 Zone deposit; Cameco Corp., 83.766%; COGEMA Resources Inc., 16.234%; start-up 1999)
51 McArthur River - BJ Zone deposit
52 McArthur River - Harrigan Zone deposit
53 Key Lake Mine - Gaertner and Deilmann deposits (mined out), mill processing McArthur River Mine ore
54 Burbidge Lake (BURR) deposit
55 Duddridge Lake (Thor) deposit
56 La Ronge Mine (closed)

● COPPER-NICKEL AND COPPER-COBALT
1 Dianne Lake deposit
2 Dinty Lake deposit
3 Currie Lake deposit
4 Axis Lake and Rea Lake deposits
5 Dumas Lake deposit
6 Rottenstone Mine (closed)
7 Gochager Lake deposit
8 Triangle Lake deposit
9 Nemeiben Lake (Dunlop) deposit
10 Howard (Little Clam) Lake deposit
11 Knife (Mokoman) Lake deposit
12 Uskik Lake deposit
13 Hidden Lake deposit
14 Kipahigan Lake deposit
15 Namew Lake Mine (closed) (in Manitoba)

○ LEAD-ZINC
1 Johnson Lake (Marina) showing
2 George (Brakewell) Lake deposit
3 Deception Lake showing
4 Sito Lake deposits
5 Fable Lake showing
6 Western Nuclear Mine (closed)

■ POTASH AND SALT
1 Vanscoy potash mine (Agrium Inc.)
2 Cory Division potash mine (Potash Corp. of Sask. Inc.) (by-product $CaCl_2$ brine)
3 Patience Lake Division potash solution mine (Potash Corp. of Sask. Inc.)
4 Allan Division potash mine (Potash Corp. of Sask. Inc.)
5 Colonsay potash mine (I.M.C. Kalium Inc.)
6 Lanigan Division potash mine (Potash Corp. of Sask. Inc.)
7 Esterhazy K-1 and K-2 potash mines (I.M.C. Kalium Inc.)
8 Rocanville Division potash mine (Potash Corp. of Sask. Inc.)
9 Belle Plaine potash solution mine (I.M.C. Kalium Inc.) and fine salt plant (processes waste salt from potash mine) (Canadian Salt Co. Ltd.)
10 Unity solution salt mine and plant (Sifto Canada Inc.)
11 Saskatoon chloride based chemical plant (Sterling Pulp Chemicals)

■ SODIUM SULPHATE AND POTASSIUM SULPHATE
1 Aroma Lake sodium sulphate deposit
2 Whiteshore Lake sodium sulphate plant (Millar Western Industries Ltd.)
3 Lydden Lake sodium sulphate deposit
4 Muskiki Lake sodium sulphate deposit
5 Berry Lake sodium sulphate deposit
6 Little Manitou Lake sodium sulphate deposit
7 Bitter Lake sodium sulphate deposit
8 Ingebrigt Lake sodium sulphate plant (Saskatchewan Minerals)
9 Vincent Lake sodium sulphate deposit
10 Snakehole Lake sodium sulphate plant (closed)
11 Verlo East sodium sulphate deposit
12 Chaplin Lake sodium sulphate plant (Saskatchewan Minerals)
13 Frederick Lake (Bishopric) sodium sulphate plant (closed)
14 Horseshoe (Shoe) Lake sodium sulphate plant (AIRborne Industrial Minerals Inc.)
15 Ceylon Lake (Salt Lake) sodium sulphate deposit
16 Sybouts East (East Coteau Lake) sodium sulphate plant (closed)
17 Alsask Lake potassium sulphate plant (Potasium Sulphate Co. Alsask Inc.)
18 Big Quill Lake potassium sulphate plant (Big Quill Resources)

■ CLAY RESOURCES
1 Saskatoon clay quarry and plant (Cindercrete Products Ltd.)
2 Ravenscrag clay quarry (brick) (IXL Industries Ltd.)
3 PR-1 clay quarry (stoneware) (Plainsman Clays)
4 PR-3 clay quarry (stoneware) (Plainsman Clays)
5 Eastend clay quarry
6 Frenchman clay prospect
7 Wood Mountain - Fir Mountain kaolin prospect
8 Flintoft clay pit (refractory and ball clay) (closed)
9 Gollier Creek kaolin deposit
10 Rockglen clay pit (brick clay) (IXL Industries Ltd.)
11 St. Victor bentonite deposit (swelling bentonite)
12 Readlyn ball clay deposit
13 Willows clay pit (refractory and ball clay)
14 A.P. Green Claybank brick plant (closed)
15 Truax bentonite quarry (stoneware) (Canadian Clay Products Inc.)
16 Wilcox bentonite plant (Canadian Clay Products Inc.)

■ COAL AND PEAT
1 Lac La Ronge lignite (sub-bituminous) deposit
2 Carrot River Peat Moss Mine (Premier Sask. Inc.)
3 Carrot River peat moss plant (Premier Sask. Inc.)
4 Poplar River mine (Luscar Ltd.)
5 Boundary Dam (Shand, Costello, and Utility) Mine (Luscar Ltd.)
6 Bienfait Mine (Luscar Ltd.)

□ GOLD
1 Neeley Lake deposit
2 Box Mine (closed) and deposit
3 Athona Mine (closed) and deposit and Greenlee/Anderson deposit
4 ELA deposit
5 Camille Bay deposits
6 Nirdac Creek showing
7 Ithingo Lake deposit
8 Rosie and Narrow Lake showings
9 Fleming Lake showing
10 Twin Zone and Wedge Lake deposits
11 Weedy Lake and Golden Heart deposits
12 Komis Mine (closed) and EP deposit
13 Corner Lake (Augustus) deposit and Oven Lake showing
14 Tower East and West deposits
15 Kaslo, Centre, and Narrow deposits
16 Jojay deposit
17 Star Lake and Jolu mines (closed) and Rod, Mallard, and Rush Zones (mined out)
18 Jasper Mine (closed) (Fork Lakes, Tamar, and Transom deposits)
19 Greywacke deposit
20 North Lake deposit
21 Contact Lake (Bakos zone) Mine (closed)
22 Preview North and South, PAP A, B, and C deposits
23 Sulphide Lake deposits
24 Lynx Lake (GEM) deposit
25 Seabee Mine (Claude Resources Inc.) and Boundary Zone deposit (ore milled at Seabee Mine) (Claude Resources Inc. and Currie Rose Resources)
26 Santoy Lake showings
27 Georges Lake showings
28 Brownell Lake showings
29 Manson Bay (Schotts Lake) deposit
30 Eccles Lake (Dolly) deposit
31 Graham Mine (closed) and deposit
32 Robinson Creek deposit
33 Prince Albert (Monarch) Mine (closed) and Laural Lake deposit
34 Newcor, Bootleg (Rio), and Henning-Maloney mines (closed)
35 Phantom Lake and McMillan mines
36 Simmie paleoplacer showing

● COPPER-ZINC
1 Campbell River showings
2 Janice Lake showings
3 Jansem showings
4 Stackhouse Bay showing
5 Elephant Lake deposit
6 Discovery Lake deposits
7 Brabant Lake PEG/McKenzie deposit
8 Borys Lake deposit
9 Elizabeth Lake deposit
10 Anglo-Rouyn Mine (closed)
11 Pitching Lake deposit
12 SAD Zone (HBED Zone) deposit
13 Hook Lake (Gee Lake) deposit
14 Brownell Lake deposit
15 Bigstone Lake deposit
16 Miskat Lake deposit
17 McIlvenna Bay deposit
18 McDermott Lake (Balsam Zone) deposit
19 Ramsay (Quandt/Keputch) deposit
20 FON Zone deposit
21 Schotts Lake deposit
22 Otonadah Lake deposit
23 Black Prince showing
24 Flin Flon Mine (closed) and Callinan Mine (Hudson Bay Mining and Smelting Co. Ltd.)
25 Birch Lake and Flexar mines (closed)
26 Konuto Lake Mine (Hudson Bay Mining and Smelting Co. Ltd.; start-up 1999)
27 Coronation Mine (closed)

○ IRON FORMATION
1 Fish Hook Bay showing
2 Triana deposit
3 Spence Lake showing
4 Nyberg Lake (VH) deposit
5 Ithingo Lake showing
6 Dot Lake showing
7 Kelsey Lake deposit
8 Choiceland deposit

● RARE EARTH OCCURRENCES
1 Nisikkatch Lake - Hoidas Lake
2 Alces Lake
3 Archie Lake (+ uranium)
4 Maw Zone (+ uranium)
5 Kulyk Lake (+ uranium)
6 Jahala Lake (+ uranium)

◆ KIMBERLITE OCCURRENCES
1 Sturgeon Lake
2 Candle Lake
3 Fort à la Corne kimberlite field

▲ MISCELLANEOUS OCCURRENCES
1 Deep Bay graphite deposit
2 Pasquia Hills oil shale deposit
3 Bainbridge River nodular manganese

□ BUILDING MATERIALS
1 Neyrink Lake black and grey granite (diorite) building stone
2 Sahli green granite building stone
3 Deschambault marble (dolomite) quarry (Graham Construction and Engineering (1985) Ltd.)
4 Mystic Lake "Verde Antique" marble (veined amphibolite) building stone
5 McNally Lake buckskin marble (dolomite) building stone
6 Amisk Lake red marble (dolomite) building stone
7 Waskwei River cement rock deposit
8 Hudson Bay cement rock deposit

SILICA SAND
1 Bow River silica sand deposit
2 Nipekamew River silica sand deposit
3 Wapawekka Lake silica sand deposit
4 [illegible] Lake silica sand deposit
5 [illegible] silica sand quarry (Red Deer Silica)

LEGEND

▢	Uranium potential
▢	Base metal potential
▢	Gold potential
▢	Diamond potential
▢	Major peat resource potential
■	Carbon dioxide (CO_2) resource potential
■	Oil fields
■	Gas fields
■	Coal fields
▢	Potash and salt resource areas
▢	Carnallitic regions (magnesium)

SYMBOLS

～	Edge of Precambrian Shield
～	Precambrian domain boundaries and names
～	Major bounding shear zones
～	Major faults
- - 1 - -	Roads
●	Cities
•	Towns

SCALE

25 0 25 50 75 Kilometers

25 0 25 50 Miles

†Mine = Past, present, and test producing mines
Deposit = Deposits (calculated reserves) and developed prospects (drilling delineated mineralization)
Showing = Mineral occurrence with assays

Although the Department of Energy and Mines has exercised all reasonable care in the compilation, interpretation, and production of this map, it is not possible to ensure total accuracy, and all persons who rely on the information contained herein do so at their own risk. The Department of Energy and Mines and the Government of Saskatchewan do not accept liability for any errors, omissions, or inaccuracies that may be included in, or derived from, this map.

Precambrian Shield information compiled by
G.D. Delaney, D.G. MacDougall, and W.L. Slimmon
Phanerozoic Basin information compiled by
L.I. Kelley and L.K. Kreis
GIS and digital cartography by W.L. Slimmon
CAD by L. Borisinkoff
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This map is available from
Saskatchewan Energy and Mines
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The committee evaluated each of the identified resource sectors by examining the contributions the sector is currently making to the rural economy. We then tried to extrapolate what changes were likely to occur within that sector over the next ten to fifteen years. We then attempted to:

- Consider how additional value added potential could be captured;
- Identify constraints and opportunities and what issues need to be addressed to maximize the potential of the sector.

When dealing with land as a resource, the committee chose to consider Crown land as a separate subset of the provincial land base as there are a number of issues specific to Crown lands.

In the detailed discussion of issues by resource sector you will notice a number of issues and recommendations appear in more than one resource sector. For purposes of simplification, they were only listed once, under one section, in the Executive Summary.

As a result of this review, a number of recommendations that were common to a number of the areas included within the resource sector were identified. These recommendations are as follows:

Recommendations:

Generally, there is a lack of knowledge in Saskatchewan about the resource sector and its contribution to the rural economy. The committee recommends that the benefits of the resource sector, particularly in terms of employment, be built into the larger communications strategy to encourage rural Saskatchewan to welcome the economic growth opportunities and employment associated with resource development.

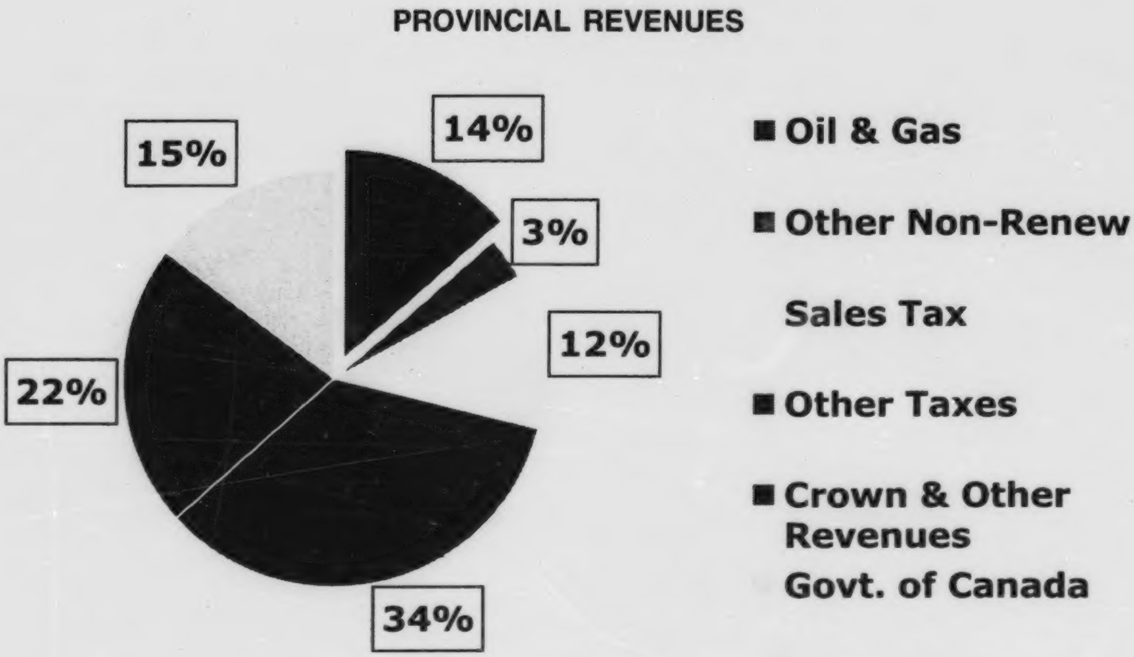
The committee recommends that the Province of Saskatchewan develop a labour strategy to meet the resource sector's ongoing labour needs. This strategy needs to recruit youth and aboriginal people and provide them with the necessary skills so that they can live and work in rural Saskatchewan.

First Nations control a large land resource that is an integral part of rural Saskatchewan. The committee recommends that the Government of Saskatchewan work with First Nations to facilitate development of First Nation resources.

I. Oil and Gas Sector

Background

- The oil and gas industry is a mature industry that is a major contributor to the provincial and rural economy in Saskatchewan.
    - The non-renewable resource sector (includes the mining and the oil and gas industries) accounted for 13.1 per cent of provincial gross domestic product in 1999.
    - An estimated 21,000 people are employed directly or indirectly in the oil and gas industry in Saskatchewan in 2000.
    - The oil and gas industry invested an estimated $1.7 billion dollars in the province in 2000.
- Energy and Mines collected approximately $730 million in government revenues from the oil and gas industry in the 1999-2000 fiscal year. In addition, the industry contributed millions of dollars to government revenues through the payment of corporate income tax, corporation capital tax and surcharge, education and health tax, fuel tax, property tax, etc.



*provided by the Canadian Association of Petroleum Producers

- The oil and gas industry is well established in the province.
  - There are approximately 370 companies operating approximately 31,000 active oil and gas wells in Saskatchewan. Although large companies produce the vast majority of the oil and gas produced in the province, most of the companies active in the province are classified as small or junior.
  - There is a well-established service and supply industry in Saskatchewan.
  - Crude oil production in the province has nearly doubled over the last 10 years. In 2000, Saskatchewan crude oil production totaled more than 150 million barrels.
- Primary areas of development are in the general regions around Lloydminster, Swift Current, Weyburn and Estevan.
- Crude oil and natural gas prices are established in the international marketplace.

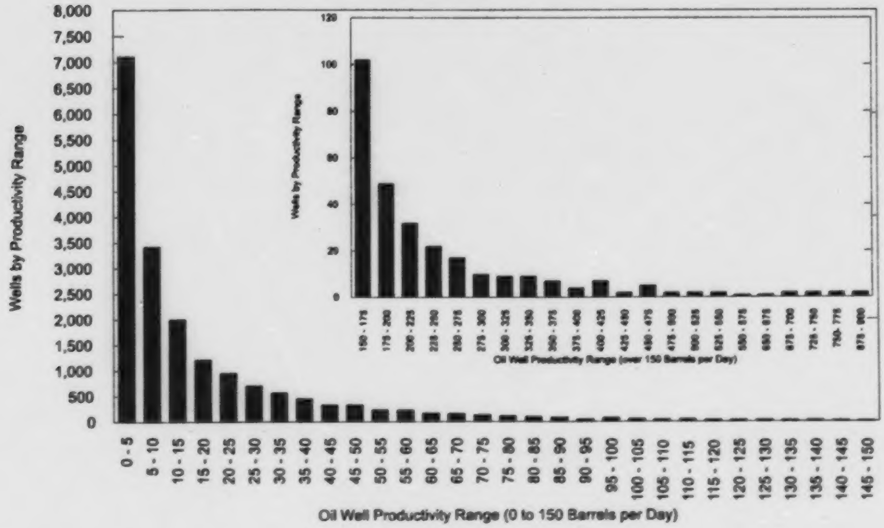
Opportunities:

- There are extensive heavy oil resources in the region around Lloydminster and Kindersley.
- There is the opportunity to develop new technologies and processes to improve the recovery rates of existing oil pools (i.e. CO2 enhanced oil recovery) and to assist in the discovery of new pools (i.e. deep oil pools in frontier areas).

Challenges/Constraints:

- There are two heavy crude oil upgrades in the province and one crude oil refinery. There are limited opportunities related to further processing crude oil and natural gas.
- The productivity of the oil and gas industry in Saskatchewan is considered marginal, compared to other jurisdictions (both within Canada and internationally).

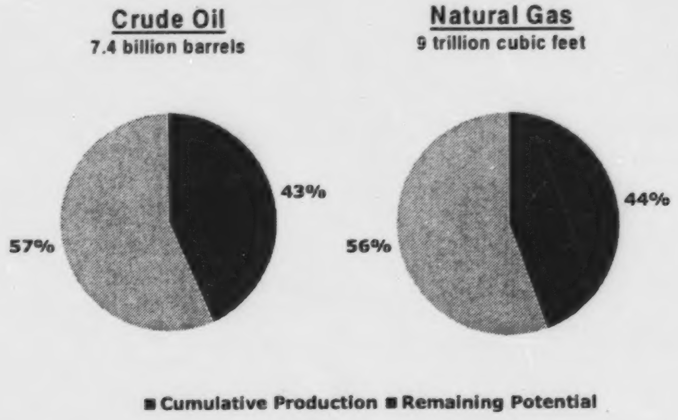
Saskatchewan "Oil Wells" By Productivity Range
June 2000
Total Number of Producing Oil Wells 19,212
Average Producing Well Rate 21.2 bbls/day



provided by the Canadian Association of Petroleum Producers

- The average productivity of a gas well in Saskatchewan is also much lower than Alberta and reservoirs are much smaller (although the gas in Saskatchewan is sweet and the wells shallower, and therefore, less costly to drill).

Saskatchewan Crude Oil & Natural Gas
Ultimate Resources - Mature Basin



source the Canadian Association of Petroleum Producers

- The potential for the discovery of major new oil and gas pools in Saskatchewan is declining. Therefore, it is crucial that efforts be made to improve the recovery of existing pools.
    - On average, only about 15 per cent of the current oil in place in Saskatchewan is produced through primary, secondary and tertiary means.
    - Natural gas potential in the province is limited.
- One of the major challenges facing Saskatchewan relates to ensuring it remains competitive with other jurisdictions and is able to continue to attract investment.

Recommendations:

- The major constraints identified by industry relate to Saskatchewan's competitiveness and ensuring that a level playing field exists.
    - Since oil and gas resources in Saskatchewan are considered marginal, company returns are not as lucrative as in other jurisdictions.
- There are numerous areas that can be classified as irritants to industry and which have a negative impact on potential investment in the province.

The Corporation Capital Tax Surcharge:

- The surcharge is a highly visible tax that is not based on profitability and that is unique to Saskatchewan (i.e. other jurisdictions do not have a surcharge). In addition, the surcharge only applies to certain non-renewable resources (oil, natural gas, potash, uranium and coal).
- The surcharge is seen by industry as a major disincentive to investing in Saskatchewan.

Recommendation:

Taxation is still the major disincentive to attracting new investment capital. The provincial government should eliminate or phase out the Corporation Capital Tax Surcharge to maintain the province's competitiveness with other jurisdictions.

Royalty Rates:

- Royalty rates in Saskatchewan for oil and natural gas are higher than those in Alberta.

Recommendation:

The provincial government should continue to examine royalty rates for the various non-renewable resources to ensure they are competitive with other jurisdictions.

Power Rates:

- The power rates charged by SaskPower for oilfield services are significantly higher than the cost of providing the power. Over the last several years, SaskPower has gradually been rebalancing the power rates charged to different customer classes, in order to bring all classes closer to the cost of service. SaskPower's current rate application that is under review by the Saskatchewan Rate Review Panel proposes to further rebalance the rates of different customer classes.

Recommendation:

The provincial government is encouraged to continue to better align the electricity rates charged by SaskPower with the average cost to SaskPower of providing the service, i.e. reduce the cross-subsidization.

Municipal Issues:

- Individual rural municipalities in Saskatchewan have the authority to develop by-laws and administer various agreements and regulations with respect to their municipality. There are often different rules and requirements among municipalities, which create confusion for industries that are active in several different municipalities (i.e. the transportation of a drilling rig to a single sight may be subject to a number of different road haul agreements).
- Not all rural municipalities apply their various rules and regulations in an equitable manner. For example, RMs have the authority to apply property tax tools to enable them to accommodate property reassessment. One of those tax tools is the authority to apply a

variable mill rate. The manner in which the variable mill rate is being applied in some RMs appears to result in excessive property taxes for the oil and gas industry. Another example is the inequitable application of fees related to the bulk haul of goods and materials. In some RMs, the fee does not apply to all bulk haulers (i.e. may apply to the transportation of a drilling rig, but not to the transportation of grain).

Recommendation:

In order to improve compliance and understanding, and as a matter of fairness, the rules, regulations and taxation of all rural municipalities should be more consistent and should apply equally to all ratepayers. Specifically, the application of road haul agreements and variable mill rates needs to be addressed.

Resource/Land Access:

- The resource sector requires access to land in order to explore for and develop the resources in the province. There are a number of competing land uses (i.e. parks and environmentally sensitive areas, RM planning bylaws, outstanding Treaty Land Entitlements, etc.), which creates uncertainty for industry and results in increased costs and frustration, and which negatively impacts on the cost of doing business in Saskatchewan.

Recommendation:

The provincial government, through Municipal Affairs and Housing, needs to ensure that there is consistency in zoning and development and that a proper balance between provincial and local interests is established so that provincial opportunities and interests are not foregone.

Land access is a critical component of resource development. The committee recommends that the government develop a land use planning process that takes a balanced approach to land management in the province and establishes fair and consistent rules with respect to land use for the province.

- Saskatchewan must support and encourage research and development of new technologies in order to take full advantage of the province's resource potential.

Recommendation:

The industry has developed a niche of expertise in the development of marginal reserves and the province must continue to support relevant oil and gas research and development, through facilities such as the Petroleum Technology Research Centre.

II. Mining Sector

Background:

- The mining industry is a major contributor to the provincial and rural economy in Saskatchewan.
  - All mining in Saskatchewan, with the exception of uranium and precious and base metals, occurs in rural Saskatchewan.
  - The non-renewable resource sector (includes the mining and the oil and gas industries) accounted for 13.1 per cent of provincial gross domestic product in 1999.
  - Close to 12,000 people are employed directly or indirectly in the mining industry in southern Saskatchewan in 2000 (excludes uranium and precious and base metals which are found in northern Saskatchewan).
  - The mining industry spent an estimated $2 billion dollars on wages, goods and services in the province in 2000.
  - Energy and Mines collected more than $200 million in government revenues from the mining industry in the 1999-2000 fiscal year. In addition, the industry contributed millions of dollars to government revenues through the payment of corporate income tax, corporation capital tax and surcharge, education and health tax, fuel tax, property tax, etc.
- The mining industry is well-established in the province.
  - There are a small number of major companies active in Saskatchewan. There are also a few junior companies active in the province.

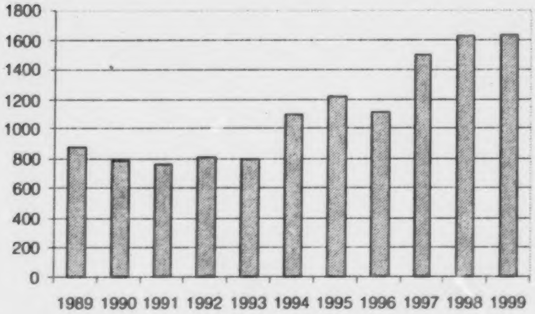
- There is a well-established service and supply industry in Saskatchewan.

- Primary areas of development are in southern (coal) and east central (potash) Saskatchewan.
- Commodity prices are established in the international marketplace.

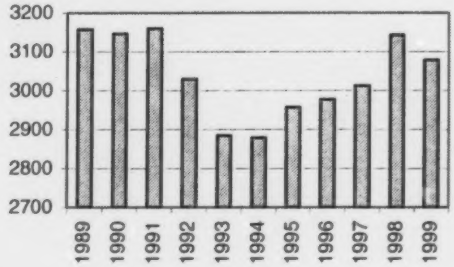
Potash

Saskatchewan is the world's leading exporter of potash, accounting for approximately 43 per cent of world trade.

Sales ($ millions)



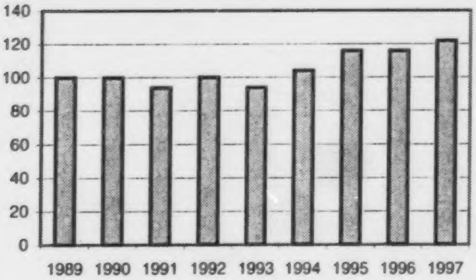
Direct Employment



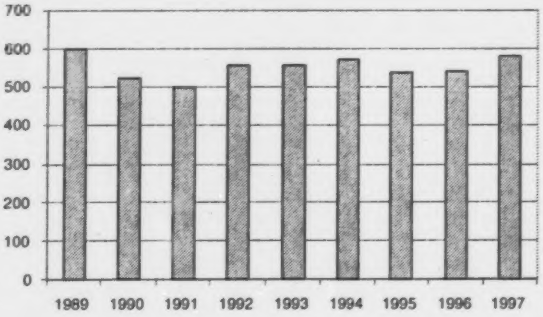
Coal

Coal produced in Saskatchewan is used almost exclusively for the generation of electricity.

Sales ($ millions)



Direct Employment



Opportunities:

- There is potential for the development of a diamond mine and related facilities in the region east of Prince Albert.
- There is also the potential for development of other minerals such as silica sand, Kaolin and magnesium brines.

Challenges/Constraints:

- There are limited opportunities related to further processing of minerals, although there is some potential in the area of diamonds and potassium sulphate.
- One of the major challenges facing Saskatchewan relates to ensuring it remains competitive with other jurisdictions and is able to continue to attract investment.
- The mineral exploration industry requires access to land in order to continue to explore for and develop the mineral resources in the province. There are a number of competing land uses (i.e. parks and environmentally sensitive areas, RM planning bylaws, outstanding Treaty Land Entitlements, etc.), which creates uncertainty for industry and results in increased costs and frustration, and which negatively impacts on the cost of doing business in Saskatchewan.

Recommendations:

- The major constraints identified by industry relate to Saskatchewan's competitiveness and ensuring that a level playing field exists.
- There are numerous areas that can be classified as irritants to industry and which have a negative impact on potential investment in the province.

  The Corporation Capital Tax Surcharge:

  - The surcharge is a highly visible tax that is not based on profitability and that is unique to Saskatchewan (i.e. other jurisdictions do not have a surcharge). In addition, the surcharge only applies to certain non-renewable resources (oil, natural gas, potash, uranium and coal).
  - The surcharge is seen by industry as a major disincentive to investing in Saskatchewan.

Recommendation:

Taxation is still the major disincentive to attracting new investment capital. The provincial government should eliminate or phase out the Corporation Capital Tax Surcharge to maintain the province's competitiveness with other jurisdictions.

Royalty Rates:

- Royalty rates and the cumulative tax burden in Saskatchewan are considered too high by the mining industry.

Recommendation:

The provincial government should continue to examine royalty rates for the various non-renewable resources to ensure they are competitive with other jurisdictions.

Research and Development

- One of the most effective ways for governments to encourage exploration and development by private industry is through the provision of geoscientific information.

Recommendation:

Saskatchewan must establish and maintain a complete, accurate and current ecological and geological information database and increase its availability to industry in order to compete with other jurisdictions for limited exploration and development dollars.

III. Forestry

Background:

- The Provincial Government has a Forest Economic Strategy underway to grow the sector with an increase to GDP of $750,000 annually and the creation of 10,000 new jobs.
- The Strategy focuses on expanding the primary forest industry and expanding forestry development opportunities

- The potential for the use of the hardwood resources (poplar) in the production of oriented strand board has been identified as a growth opportunity by industry.

Opportunities:

- Saskatchewan is suited for an expansion in agroforestry or the production of both high value wood species and the production of fiber for oriented strand board mills. For this to happen however, will require an increase in demand for these wood products. For example, demand for fibre from hardwood products can only be be created through the construction of new oriented strand board mills, that in turn creates demand for the product, in turn increasing product prices.
- As with any commodity, increasing the processing of the product creates additional jobs. There is an opportunity to increase the Saskatchewan forest related value-added sector.
- Establishing the Saskatchewan Forest Centre will create a base for industry knowledge and encourage training of rural residents to participate in the forest sector.
- Rural residents, specifically agricultural grain and oilseed producers may have available labor during the winter months, creating an opportunity for landowners to participate in the harvesting and management of the forest.
- An opportunity exists for private investment to meet the demand for wood related niche markets that Saskatchewan may be able to capture.
- Opportunities exist for related tourism and seedling growing activities being linked to the forestry industry.
- As well, there is a synergy between agricultural by-products (straw) and forestry fibre processing.

Challenges/Constraints:

- That any forest-related activity be economically viable.
- Forest related activities are often capital intensive.
- Managing trees requires a different skill-set from conventional agriculture.
- Agroforestry, as part of the Forest Economic Strategy, is being addressed by another subcommittee of ACRE

Recommendation:

The committee recommends the province encourage training of rural residents, including First Nations, to participate in opportunities related to the forestry sector.

The provincial government should also support the Forest Centre of Excellence (value-added research and identification of market opportunities).

There are opportunities to use the province's hardwood resource (poplar) for purposes including, but not limited to oriented strand board. The committee recommends that the province create awareness of the opportunities for utilizing the province's hardwood resource so that private investment and related employment can occur.

IV. Water as a Provincial Resource

Background:

The Province of Saskatchewan has a long term Water Management Framework that was adopted in 1999 and is being implemented.

The Resource Subcommittee focused on the opportunity areas as they relate to rural Saskatchewan and did not deal with the Water Management Framework in detail.

Irrigation:

- Water is a huge underutilized resource
- Potential for 4 million acres
- Currently approximately 300,000 acres are irrigated
- Sask Water is the agency responsible for licensing water users
- Technology has changed - more efficient use of water and more sustainability

Opportunities:

- Vegetables; perennials; fruit industry; irrigated trees for pulp or fibre
- Much of the infrastructure is in place for successful irrigation facilitates
- opportunities in tourism, recreation and other businesses

Challenges/Constraints:

- Need to define critical success factors and then move forward.
- Markets must be in place concurrent with investment and production.
- There is a need to cluster development to optimize rotations arising from irrigation i.e. in conjunction with a feedlot etc.
- There is a need for other infrastructure such as highways (primary weight all weather road), cell coverage etc. to be developed at the same time.
- Use of irrigation requires different skills that producers do not necessarily currently have. Upgrading skills or having new individuals enter the industry will be required.

Recommendation:

The committee recommends that the Saskatchewan Government develop a plan for infrastructure buildout around key irrigation sites such as, but not limited to, Lake Diefenbaker, the Rafferty and Alameda Reservoirs and the South Saskatchewan River that includes synchronized public and private investment.

V. Electricity Sector

Background:

- The electricity industry is a major contributor to the provincial and rural economy in Saskatchewan.
    - Nine of the 14 generating stations operated by SaskPower are located in rural southern Saskatchewan.
    - SaskPower maintains more than 150,000 kilometers of power lines (underground and overhead) in the province.
    - The total generating capacity of SaskPower is approximately 3,100 megawatts.
    - SaskPower directly employs more than 2,100 people in Saskatchewan with a payroll of $130 million. Much of this employment is in rural Saskatchewan.
- In rural southern Saskatchewan, SaskPower operates power plants near Coronach (coal), Estevan (coal), Success (natural gas), Meadow Lake (natural gas), Nipawin (hydro), Landis (natural gas) and Outlook (hydro).
- Interconnects with Alberta, Manitoba and North Dakota allow for seasonal imports and exports of electricity. SaskPower sells more electricity outside of Saskatchewan than it purchases.
- SaskPower's plans over the next few years include an upgrade of its Queen Elizabeth power station in Saskatoon, the development of a 228 megawatt co-generation facility at the Cory potash mine and the development of wind power.
- There are opportunities in wind power however the technology is located in Europe so the manufacturing jobs would not likely come to Canada. Once constructed, the facilities require low maintenance for 30 years.

Opportunities:

- There are future opportunities for capital expenditures in rural Saskatchewan related to power line maintenance and power plant upgrading.
- Into the future, there will also be employment opportunities for the ongoing maintenance of infrastructure, line and facilities.

Challenges/Constraints:

- Shortage of skilled staff (i.e. lineperson) interested in living in rural Saskatchewan.
- There is a great deal of uncertainty related to the issue of climate change and how the Federal government will choose to address the issue.

Recommendations:

The committee recommends that the Province of Saskatchewan develop a labour strategy to meet the resource sector's ongoing labour needs. This strategy needs to recruit youth and aboriginal people and provide them with the necessary skills so that they can live and work in rural Saskatchewan.

VI. Land as a Resource

Background:

- Saskatchewan Land Base composed of 140,878,000 acres
- 65,653,588 acres included as farm land
    - 35,579,845 crops
    - 10,950,353 summerfallow
    - 3,047,567 tame or seeded pastures
    - 16,075,823 other lands (natural pasture etc.)
- 297 rural municipalities
- Municipalities have the authority to carry out planning, establish zoning controls, require development permits, and require servicing agreements and other such authorities to manage land use and development issues.

Opportunities:

- Municipalities have the legal right to identify compatible uses for lands contained within their rural municipalities.
- Planned development often results in increased acceptance and sustainability of the development.

Challenges/Constraints:

- Municipalities either compete against each other for development or, if local residents are not fully supportive go out of their way to stop development.
- Companies doing business across multiple municipalities see there being a lack of consistency and an unlevel playing field.
- Local interests sometimes override provincial interests (not in my back yard issue) resulting in uses being zoned out.
- Lack of development certainty is viewed by some as a constraint to development.

Recommendation:

Land access is a critical component of resource development. The committee recommends that the government develop a land use planning process that takes a balanced approach to land management in the province and establishes fair and consistent rules with respect to land use for the province.

The provincial government, through Municipal Affairs and Housing, needs to ensure that there is consistency in zoning and development and that a proper balance between provincial and local interests is established so that provincial opportunities and interests are not foregone.

First Nations control a large land resource that is an integral part of rural Saskatchewan. The committee recommends that the Government of Saskatchewan work with First Nations to facilitate development of First Nation resources.

VI. Crown Land as a Resource

Background:

The province owns eight million acres of land in the agricultural zone of Saskatchewan.

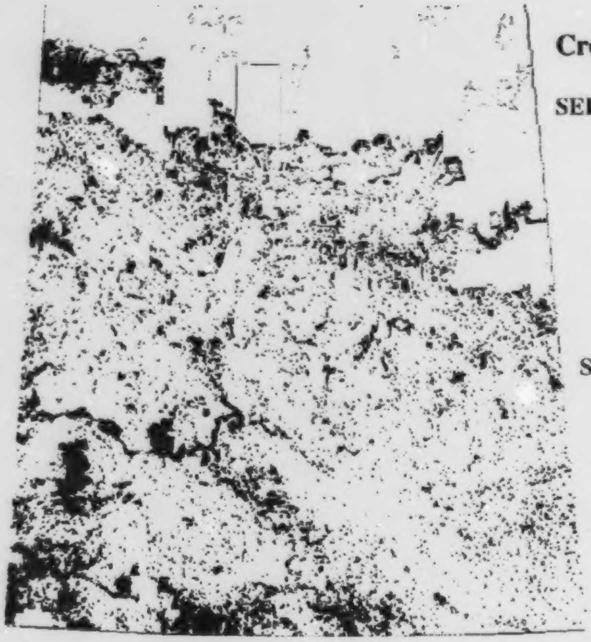
This Crown land includes:

- Approximately 700,000 acres of cultivated land leased out for growing annual crops;
- over 5.0 million acres of Crown land leased out for grazing or hay production;
- 23,000 acres of land used by local governments, construction or development companies for non-agricultural uses such as sand and gravel or oil and gas development;
- close to 460,000 acres of provincial Crown land used by PFRA within the federal community pasture program;

- approximately 160,000 acres under agreement for sale to former leaseholders; and
- close to 800,000 acres administered under the Saskatchewan Pastures Program.

Agricultural rental revenues are based on formulas that are linked to commodity prices. On a year-to-year basis, the revenues, therefore, vary with the commodity price movement.

Gross revenues are estimated at 26.6 million for 2000/01



Crown Land

Leasing of Crown Lands

Any land that becomes vacant through surrender or cancellation of a lease, and on for which there is a reason to maintain the ownership of the land in the Crown, is publicly advertised for lease. Leases are generally allocated for 33 years and detail the type of agricultural activity allowed on the land.

Transfer of Leases

Saskatchewan Agriculture and Food (SAF) facilitates the transfer of agricultural Crown leases between generations, co-lessees, or between vendors and purchasers, through the Agricultural Crown Land Lease Policy.

Sales of Crown Lands

Crown land may be sold either by tender or direct sale to the lessee of the land.

Opportunities:

- Crown lands as a tool to enhance the livestock industry

Challenges/Constraints:

- One of the limiting factors to expansion of the livestock industry is the availability of summer grazing lands.
- In addition to the limitation of grazing lands, infrastructure required to manage livestock on pasture (water, fence, corrals etc.) is often viewed as a limiting factor to individuals wishing to diversify into cattle.
- The cost of converting cultivated lands to perennial forage requires up front costs along with a lag period to achieving economical use of the lands.

SASKATCHEWAN AGRICULTURAL CROWN LAND USE - JANUARY 31/2001

Land Use		Acres	No. Of Agreements	
Agricultural Use	Cultivated	700,334	10,458	
	Grazing	5,030,391		
	Hay	147,558		
	Non Productive Ag. Land Included in Leases	114,806		
Non-Agricultural	Oil & Gas	17,360	4,333 oil and gas sites	
	Exploration Permit	1,929 (1)	5	
	Gravel - Lease	20,350 (1)	287 quarrying leases	
	Gravel - Removal	1,779		
	Easement	31,916 (1)	5,923 easements	
	Public Use	3,715	113 special leases or permits for public or commercial use	
	Commercial Use	462		
	Road Construction	44 (1)	11 road construction permits	
	Seismic use	0 (1)	155	
Short Term Vacant (land being sold, leased or not usable on the short term)		135,769	N/A	
Time Sale or Rent to Own agreements		159,354	587 sale agreements	
Provincial Land Leased to PFRA Community Pastures		456,733	1	
Provincial Community Pastures		798,474	Summer Pasture Program.	2,393 patrons 68,693 cows 316 horses 1,504 sheep 54,614 calves 792 lambs
			Wintering Programs	940 bulls 1200 cows 320 background calves
Total Crown Land Administered by SAF *		7,566,735		

*Does not include long-term vacant land and land in and under water bodies.
Note 1 - Acres excluded from total to avoid double counting.

Recommendations

The committee recommends that the Saskatchewan Government encourage the conversion of marginal cultivated agricultural Crown land to perennial forage and examine the development of an infrastructure program that would provide Crown land tenants the means to construct required facilities on lands being converted to perennial forage thereby enhancing the livestock industry.

Opportunities:

- Direct purchase of Crown lands to increase long-term grazing

Challenges/Constraints:

- Producers wishing to expand their cattle herd sometimes face limitations in terms of acquiring lands, converting these lands to forage and also financing their cattle expansion.
- In some areas, there is an excess of land for sale with few purchasers.
- In other cases, lands may be available for sale adjacent to existing grazing operations including community and co-operative pastures.

Recommendations

It is recommended that the Saskatchewan Government examine mechanisms to form or expand existing community pastures or co-operatives through public/private/corporate partnerships.

The committee asks that the Saskatchewan Government examine the current sale of Crown lands with a view towards delaying sales and entering into new long term leases where there is potential to assemble lands for joint programming related to grazing. (For example, establishing a backgrounding operation using Crown and private lands in conjunction with a feedlot to further a community project.)

Opportunities:

- The alternative use or multiple uses of Crown lands can enhance the value added or benefits accruing to rural economy

Challenges/Constraints:

- Historically Crown lands have been used for cultivation, grazing and hay and more recently for oil and gas development.
- More recently, other interests including tourism, ecotourism, outfitting, wildlife preservation, forestry, recreational uses and cultural values have become increasingly evident on agricultural Crown lands.
- Currently, there is a lack of/or a conflicting legislative, regulatory and policy framework that prohibits or restricts these multiple or non-traditional activities from occurring.
- Recently the Crown Land Stakeholder's Forum was established to provide increased dialogue amongst stakeholders and with government.

Recommendations

Finally, it is recommended that the Saskatchewan Government establish the legislative, regulatory and policy framework to encourage the sustainable non-traditional and, where possible, multi-use of Crown agricultural lands for the benefit of rural residents and that new leases issued contain clauses allowing for integrated multiple uses.

ACTION COMMITTEE ON THE RURAL ECONOMY

Rural Manufacturing and Construction Subcommittee Report

May 2001

Loren Katzenberger (Chair)
Ernie Barber
Martin Gareau
Bob Merasty

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INTRODUCTION

Mandate

Identify opportunities and constraints in rural Saskatchewan and make recommendation to the ACRE committee to facilitate and encourage economic development through the establishment and retention of manufacturing and construction enterprises in rural areas."

Committee Membership

The membership of the RM&C included:

Industry Representatives

Loren Katzenberger - Chair
President of Precision Metal Fabricating and 2nd Vice President of the Prairie Implement Manufacturing Association

Ernie Barber - Co-Chair
Dean of the College of Agriculture University of Saskatchewan

Martin Gareau - Member
President of the Saskatchewan Herb and Spice Association and owner of Maple Ridge Farms Inc.

Bob Merasty - Member
FSIN Saskatoon, Sask

Resource Persons

John Babcock - Resource Person
Saskatchewan Agriculture and Food

Scott Summach - Resource Person
Saskatchewan Economic and Cooperative Development

Paul Gebhardt - Resource Person
Industrial Research and Assistance Program

Definition of the Sector

The non-agricultural construction and manufacturing industries located outside of Regina and Saskatoon.

RECOMMENDATION SUMMARY

I. Business Environment

- The major focus for rural Saskatchewan must be on how to retain and expand local businesses in the sector versus the emphasis on how to encourage new businesses to become established. Programs that educate and promote the RM&C industry on their contribution to the community as well as legislation and regulations that create a level playing field for local industries.

- The business climate and its competitiveness with respect to other jurisdictions (particularly Alberta) need to be addressed. It is essential that Saskatchewan be perceived as a low cost manufacturing and construction environment in order to grow the industry and attract other companies to the Province. As the mainline companies acquire smaller short-line companies and acquired or existing short-liners in the Province become much larger, it is imperative that the province ensures that government policies and programs are conducive to industry growth. The sector should be surveyed to identify issues and gaps. Effort to address the issues should be made.

II Leadership/Marketing Skills

- Emphasis should be on identifying and providing opportunities for businesses to assess their leadership skills and obtain on-site training in areas of confidence building, entrepreneurial spirit, global vision, and in financial and marketing skills. In addition there is a need to create and promote value of business success in the rural areas (education) to the general public.

III. Labour

- There is a need to reconcile the present labour legislation with the realities that exist in rural areas of the province. Most businesses and employees have a good working relationship that has been successful in developing jobs for rural residents and a margin of profit for the companies. In order to sustain this relationship there is a need for the direct involvement of all players in order to ensure a clear understanding and the development of legislation that is consistent with maintaining businesses in rural Saskatchewan. Education and training including the interpretation of the legislation for both employers and employees would be beneficial to all parties. It is noted that ACRE has established a committee to investigate labour issues based on the urging of several of the subcommittees including the RM&C subcommittee.

IV. Aboriginal and Metis Involvement

- There is clearly a need to provide an environment to ensure that all people can participate in the on-going economic well being of the province. The leaders for the Aboriginal and Metis as well as business leaders recognize that in order to build a strong work force for the future that education and training is required. We need to explore the best ways to engage the Aboriginal and Metis people in the work force.

- The aboriginal population represents about 6% of the total manufacturing workforce in Saskatchewan. There is definitely room to grow this percentage, which would fit in well with the ever-increasing aboriginal population. The biggest stumbling blocks to growth seem to be that aboriginals have traditionally been shut out of the higher paying jobs in manufacturing due to a lack of skills and education. They view manufacturing jobs as low paying and are not that excited to join the workforce in this sector. Aboriginal females represent only 1% of the total manufacturing workforce and have no reason to feel wanted in this sector.

- Another area where there is room for improvement is aboriginal ownership of businesses in this sector. The only aboriginal owned and based business in this sector is the Kahkewistanhaw Indian Nation custom metal fabrication company. One opportunity is the fact that the aboriginal people have a lot of land that could be used to house manufacturing facilities. This is an area that needs to be explored either from an aboriginal owned business view or in partnership with the private sector.

V. Taxation

- Tax issues are of concern to rural businesses because it impacts on the bottom line. It is also recognized that the present tax structure for the manufacturing industry including: Investment Tax Credits, Sales Taxes, Payroll Taxes, Manufacturing and Processing Tax Rate, Research and Development Tax Credit are reasonably competitive with other jurisdictions. There is, however, a need to keep pace with other provinces regarding on all taxes e.g. personal income tax in Alberta. There is also an need to make some changes on how GST and PST are managed and reduce the bureaucracy of paying and refunding which ties up a large amount of money at all times.

VI Growth Stimulation in the Sector

- There is a need to address industry training needs, expose industry to best practices, the latest advanced technologies, providing adequate R&D infrastructure, maintaining a good transportation system, streamline provincial regulations and implementing a plan to ensure long-term competitiveness.
- The SRC diagnostics identified that 55% of the manufacturing firms surveyed were having difficulty with quality but only 12.5% of the group surveyed were ISO certified and 52.5% had no system for quality assurance. In general, the industry does not value the benefits of a formal quality system nor do their customers recognize or require such a system. More education is required to raise the awareness of the costs of defects and the benefits of continuous improvement and the benefits of managing quality. There is a need to continue to enhance the awareness of benefits of constant improvement and quality control and assist industry in implementing these principles.

VII Other Factors Affecting the Business Environment

- In general, the public does not have an appreciation of the benefits and the impact of this sector on the provincial economy. A program poised at elevating the awareness of this industry should be pursued. The creation of a manufacturing week should be considered to highlight the broad range of manufacturing that exists within Saskatchewan, to disband the perception that this industry is low-tech and to use it as a tool to reward our local players for the successes they have achieved. Information gathered in the promotional events could be further utilized to promotional literature for promoting our province abroad and for investment attraction purposes.

VIII Freer Trade

- Free trade is viewed as a reality and it is perceived as benefiting the sector allowing for greater participation in a global market place. We need to pursue freer trade in both Europe and South America and address some of the inter-provincial trade barriers that exist in Canada.

IX Transportation

- One of the key messages is that the fuel tax should be used exclusively to improve roads in the province. The is a need to apply a consistent set of regulation on the use of roads (business, farm and private) and develop a strategy that integrates the road, rail and air services in the province to support business development. This should include a program to provide access roads to rural businesses.

X Utilities/Communication Access

- In order to keep pace with technology rural businesses require access to high-speed phone lines and cellular coverage. There is a need for the province to take steps to put these services in place. In addition the installation of 3-phase power and gas required for this sector to expand needs to be considered as an overall strategy. The idea of a "business cluster" for this sector may have some merit.

XI Education and Training

- Industries need a pool of welders and advanced skilled people who can contribute to a company's continuous upgrading of its products. Saskatchewan companies have had difficulties with this issue. Programs should be designed with input from the industry that addresses their needs.
- The education system should focus more on the technical trades. The system generally focuses on an academic training as a means to developing a career. The promotion of trade jobs as a career would provide a greater number of skilled professional to address this sector's needs.

XII General Issues

- Need to develop a comprehensive business strategy for the province that looks at: taxes, labour laws, infrastructure (communication access, roads, rail, air service), training, public education, trade issues, Aboriginal issues as noted in some of the above recommendations. In general creating an environment that is stable (not changing every time a government changes) in which people are willing to make a long-term investment.

OVERVIEW OF THE SECTOR

Construction Sector

The construction sector is classified by Statistics Canada as a secondary goods-producing industry, the same kind of industry as manufacturing. In some senses, however, it can be considered as a service industry because it provides a service to businesses and consumers in the province. For example, the construction of a commercial or industrial building provides a service to the firm wishing to use the building. The construction of roads provides a service to firms wishing to transport goods by truck.

The construction sector is relatively easy to define although not all construction activity in the province is undertaken by the construction industry. Some larger corporations have in-house maintenance departments that do routine building maintenance and some of the work is performed by out-of-province firms.

There are more construction workers in the province than there are workers in the construction industry because the industry is well populated with individuals who take on construction work as a sideline to their other "main" jobs. Most of these are seasonal and concentrated in the residential renovations business.

Published statistics often break down the sector into two major components according to the type of work they do - building construction and engineering or " heavy" construction. The former includes residential, commercial, industrial, farm, and institutional buildings. The latter includes, for example, roads and bridges, pipelines, mines, and water/sewer projects. Statistics Canada also includes oil and gas exploration and development drilling as part of the construction industry according to the new North American Industry Classification System (NAICS).

Users of this information should be aware that a good portion of the construction industry provides services to consumers rather than businesses. In particular, about one third of activity and a higher proportion of employment are primarily involved in residential construction

The statistics show that the construction sector is recovering slowly from the downturn in activity that occurred in the early 1990s. At that time, the completion of a number of large projects, provincial government capital spending restraint, a general recession, and low demand for new housing combined to reduce the size of the industry in most measures.

- The value of building permits declined from $741 million in 1986 to $323 million in 1992.
- Total employment declined from 25,400 in 1987 to 18,400 persons in 1993.
- Industry payrolls declined from $348 million in 1987 to $306 million in 1992 largely because paid employment dropped from 15,000 to 11,300 over the period.
- The industry's GDP declined from $1.7 billion in 1985 to $1.1 billion in 1992.

Since that low point, most of the indicators show an upward trend. Using 1992 as the base year:

- the value of construction activity is increasing at 6.6% per year; the value of building permits to 12% per year;
- employment is growing at 2.4% per year and aggregate payrolls at 8% per year; and
- GDP is growing at an annual rate of 4.4% per year.

In 1999, the construction industry contributed just under $1.2 billion to the province's Gross Domestic Product, 6% of the total. Both overall GDP and the share of the total are below their highs in the mid 1980s although their have been modest increases in recent years. Relative to the overall economy, the construction industry in Saskatchewan is larger than in Canada as a whole but, until recently, was in a prolonged slump. In 1998, for example, the sector accounted for 5.6% of Canada's GDP compared with 6.2% in Saskatchewan.

There were 5,430 businesses in the construction industry as of December, 1998 of this 40% of these were single-person firms and three quarters have fewer than five employees. There were 272 or 5% of the firms with 20 or more employees in 1998. This is 61/2% of the businesses in the province but 8% of employers.

There are two measures of employment in the construction sector, both published by Statistics Canada. The first is the labour force survey (LFS) which measures, on a monthly basis, both paid employment and self-employment in the industry group. The second is the survey of employment, payrolls, and hours (SEPH) that is based on a sample of payroll records submitted to Revenue Canada. SEPH measures the number of paid employees only but it has the advantage of including payroll information so that average earnings can be calculated. The LFS data use the NAICS definition; SEPH uses the SIC.

In 1999, the LFS found 23,500 persons working in the construction sector whereas SEPH recorded paid employment at 15,750 so a good proportion of the industry's employment is among self-employed individuals.

NOTE: The overview of the Sector are exerts form a broader paper on the Construction industry in the province compiled by Saskatchewan Economic and Co-operative Development.

Machinery and Manufacturing Sector

The manufacturing of metal-based products is wide ranging in Saskatchewan. It includes the manufacture of agricultural machinery products, transportation equipment, mining equipment, industrial and agricultural storage products, oil & gas equipment, industrial power generation products, special service vehicles, lawn and turf equipment, heating and ventilating products and structural steel products for construction and other applications. The size of this sector and its impact on the Province are often underestimated because these industries are segregated into several SIC codes when reported by Statistics Canada. The corporations in this industry range from very small shops with less than 10 people to much larger production facilities in excess of 1500 employees. The industry is divided into two major sub-sectors, the custom fabricators and the discrete product manufacturers. The custom fabricators provide services (including machining, welding, punching, cutting and forming) to a wide range of industries including mining, oil & gas, construction, forestry, agriculture and other industries. The custom fabrication firms bid on building or rebuilding discrete products for their customers and typically rely on the production of relatively low volume, high margin products. These firms typically do not develop new products or re-invest a significant amount of their revenues into research and development activities. In most cases these manufacturers build to the specifications of their customers. Some of the more profitable firms in this sector have pursued niche markets and purchased specialized equipment that is not commonly available in Western Canada. This reduces the level of competition and allows the firms to charge higher margins.

The discrete product manufacturers in Saskatchewan typically rely on lower margins but higher production levels. Firms in the production industry have a discreet line of products which they service and sell through the their established distribution lines. Tighter margins force these firms to place priority on reducing production costs. Research and development is also much more important to these firms as they are forced to develop new products or improve their processes to gain an advantage on their competitors.

The custom fabricators and discreet product manufacturers require the same basic skills and technology to produce their products. Value is added by taking raw metal and transforming it into a discreet product through the process of cutting, welding, forming, punching, machining and/or milling. The raw materials, the skills and technology, and the processes required to build the product, are much similar and result in interdependencies between these manufacturers.

International Environment

The market for farm machinery has become increasingly global, as manufacturers strive to reduce costs with large-scale manufacturing to serve worldwide requirements. The bulk of farm equipment manufacturing is performed in the United States, the United Kingdom, Germany, France, Italy, Japan and Canada. The world market, which was about $34 billion in 1998, is divided into three roughly equal parts, the EU, North America and the rest of the World. Canada's share of this market is about 7 percent.

Canadian Environment

Western Canada (Manitoba, Saskatchewan, Alberta and British Columbia) represents nearly 60 percent of Canadian production of agriculture machinery. In western Canada alone, some 200 manufacturers employ over 11,000 people and have total sales in excess of $1.5 billion. The Canadian industry has successfully developed livestock-raising equipment and specialized machinery for the production and harvesting of forage crops, cereal grains and pulse crops. Certain companies have even produced specialized equipment for particular crops (tobacco, corn and soybeans).

Provincial Environment

The agricultural machinery-manufacturing sector in Saskatchewan has evolved over the last 40 years from very modest beginnings consisting of a number of small entrepreneurial companies having developed a variety of pieces of equipment to address specific dry land farming needs or problems. These products were relatively basic and unsophisticated. Over time, the number of manufacturers and the product range has expanded. The products have become more sophisticated and have grown larger in size and value. Saskatchewan has become a world leader in air seeding technology, with Flexi-Coil, Bourgault and Morris Industries leading the way.

In 1999, during a downturn, the industry still had $477 million in sales and 4,200 employees. Combined with the Metal Fabrication sector numbers of $283 million in sales and 2,000 employees you have a sector that represents 13% of province-wide manufacturing sales and employees over one quarter of all manufacturing employees in the province.

Rural Environment

A good portion of the agricultural machinery manufacturing industry still exists in smaller centres within rural Saskatchewan and has created thousands of jobs for areas of the province where other economic activities do not exist or are not feasible. In 1998, approximately 3/4 of the companies representing one half the workforce, were located outside the major centres of Saskatoon and Regina. The growth of these companies and increasing sophistication of products and manufacturing processes is creating multi-skilled, high value jobs, which are of great importance to the sustainability of rural economy of Saskatchewan. In the metal fabrication sector, the situation is the opposite, with most of the companies located in either Saskatoon or Regina.

Provincial Impact

Please note that the following statistical information represents the machinery and metal fabrication industry portion only under SIC # 3000 & 3100; NAIC # 332 & 333.

Gross Domestic Product

- GDP % growth from 1986-1998 was 121.7%.
- In 1998 the sector represented $305.5 Million of the provincial GDP or 1.3 %.
- In 1998 the sector represented 20.4% of the provincial GDP in all of manufacturing.

Employment

- Employment % growth from 1986-1998 was 342.9%.
- In 1998 the sector had 6,200 direct employees that represented 1.3% of all Saskatchewan employment.
- In 1998 the sector represented 25.6% of the total provincial employment in manufacturing.
- One concern in the value added employment category is that GDP per employee reached a 10 year low in 1998 at $49,274.00 per employee.

Wages & Salaries

- Wages & salaries % growth from 1991-1997 was 128%
- Total sector wages & salaries in 1997 were $231.2 Million.
- Average sector salary in 1997 was $29,932.70 and average hourly wage in 1998 was $13.68.

Shipments

- The % growth in the value of shipments from 1987-1998 was 177.8%.
- The total value of shipments in 1998 for this sector was $761.3 Million dollars.
- The sector represented 12.9% of total manufacturing shipments for 1998 in the province.

Exports

- The % growth in the exports from 1994-1998 was 35.6%.
- The total value of exports in 1998 from this sector was $205.3 Million dollars.

- Exports represented 27% of the total shipments from this sector.
- This sector represented 5.3% of the total exports for the province in 1998.

Companies

- The % growth in number of companies from 1991-1997 was 13%.
- The total number of companies representing this sector in 1997 was 191.

Aboriginal Participation

- In 1996, aboriginal people represented 6% of the total workforce in manufacturing for the province. This % equates to 372 aboriginal employees within the machinery and metal fabrication sector.

NOTE: The overview of the Sector are exerts form a broader paper on the machinery manufacturing and metal fabrication industry in the province compiled by Saskatchewan Economic and Co- operative Development.

CONSULTATION INFORMATION

The RM&C was requested is to [SAF1]provide recommendations to the ACRE Committee that to advise government on possible strategies, programs and services to help rejuvenate rural Saskatchewan.

Prior to preparing the final report, the RM&C consulted with rural businesses, organizations and residents. This consultation process included a survey of the sector, personal interviews with representative from the industry, information available from other sectors, statistics provided by Doug Elliott and written submissions. This consultation process was designed to gather opinions and information from leaders in rural Saskatchewan to identify issues and opportunities to assist in the rejuvenation of rural areas. (Reference material available as noted below)

Reference Material

- Open Discussion RM&C Members
- Interviews with Sector Representatives
- Sector Survey Results
- Sector Survey - Open-ended Question from the RM&C Sector
- ACRE Statistics - Construction and Manufacturing Sector - Elliott
- Comparative Analysis of Business Costs - Johnson
- Summary of Written Submission

OUTLINE FOR THE FINAL REPORT

This Committee was challenged to consult with the Rural Manufacturing and Construction Sector and attempt to answer the 5 major questions that were set out in the original terms of reference. The questions are noted below.

1. With the trends occurring in this sector in rural areas, what will it look like 10 to 15 years from now? What are the constraints that must be overcome and the opportunities that can be seized to maximize the benefits of the manufacturing and construction sector to the rural economy?
2. Given the trends in the sector, what programs, policies or services might be implemented to remove constraints or to maximize opportunities?
3. In order to maximize opportunities, which issues must be addressed (e.g. transportation/ infrastructure, investment, environmental/Kyoto implications, trade, education/training, labour, research, adaptation of new technology and quality/safety)?
4. Do the opportunities capitalize on Saskatchewan's competitive advantages? Are the opportunities viable when they are subjected to rigorous economic and financial scrutiny?
5. Are we recognizing our disadvantages and understanding when to be cautious about investment?

The recommendations in this report will focus on those areas that were identified through the consultation process as major issue area for the Sector. It is noted that the results of the consultation process is weighted in favour of the manufacturing sector where the committee members seemed to have the greatest access. Issue areas were identified as follows:

I. Business Environment
II. Leadership/Marketing Skills
III. Labour
IV. Aboriginal and Metis Involvement
V. Taxation
VI. Growth Stimulation in the Sector
VII. Other Factors Affecting the Business Environment
VIII. Freer Trade
IX. Transportation
X. Utilities/Communication Access
XI. Education and Training
XII. General issues

SUMMARY OF CONSULTATION RESULTS AND RECOMMENDATIONS

I. Business Environment

Based on the information obtained the attitude by Saskatchewan people towards business is viewed as negative. The culture of Saskatchewan people seems to be that they would prefer not to have others get too far ahead of them and they are envious of success. One of the threats is that we are located next to Alberta who is perceived to have some advantages in the business world and with the potential of reducing the income tax level to zero there will be an accelerated move out of the province of skilled workers and businesses. There is a feeling that there are anti-business labour laws and it creates an uneven playing field when compared to other jurisdictions. There is an overall negative view in the agriculture sector because of the prolonged down turn in commodity prices. Most of the local businesses that we interviewed have no desire to move to larger urban center or out of the province. The reason they give is that their families started the business and they don't feel that a move would be of any significant financial benefit. On the other side it would be difficult for any business to become established in rural Saskatchewan requiring greater than 20 employees in the professional and skilled labour area.

Recommendation:

- The major focus for rural Saskatchewan must be on how to retain and expand local businesses in the sector versus the emphasis on how to encourage new businesses to become established. Programs that educate and promote the RM&C industry on their contribution to the community as well as legislation and regulations that create a level playing field for local industries.
- The business climate and its competitiveness with respect to other jurisdictions (particularly Alberta) need to be addressed. It is essential that Saskatchewan be perceived as a low cost manufacturing and construction environment in order to grow the industry and attract other companies to the Province. As the mainline companies acquire smaller short-line companies and acquired or existing short-liners in the Province become much larger, it is imperative that the province ensures that government policies and programs are conducive to industry growth. The sector should be surveyed to identify issues and gaps. Effort to address the issues should be made.

II. Leadership/Marketing Skills

In general there was a feeling that there was a lack of good leadership skills to look beyond the borders of Saskatchewan and a feeling that Saskatchewan people do not reward and respect success. The areas that we lack leadership skills includes; confidence, entrepreneurial spirit, vision, financial and marketing skills - a lack of the Alberta attitude. Government attitude is viewed as having contributed the lack of these skills and calls for the development of leadership skills in non-government personnel with less direct government involvement.

Recommendation:

- Emphasis should be on identifying and providing opportunities for businesses to assess their leadership skills and obtain on-site training in areas of confidence building, entrepreneurial spirit, global vision, and in financial and marketing skills. In addition there is a need to create and promote value of business success in the rural areas (education) to the general public.

III. Labour

Saskatchewan is viewed as having a strong work ethic that is recognized throughout Canada and into the USA. Most rural industries have no problem in attracting a work force at the production worker level. It seems to be more difficult to attract managerial and skilled people in rural Saskatchewan. Local businesses recognize the importance of maintaining harmony with workers and the community. They all expect to pay good wages, provide good working conditions, incentives and training. There is a very strong view that the present labour legislation should be changed. There also is a view that the present legislation favours unions and that the Labour Relations Board also works in favour of unions. Businesses are calling for a level playing field for example if a secret ballot is required for decertification of a union then it should be the same for the certification of a Union. Alberta and Ontario are sited as areas that have more progressive legislation. In a letter to the Minister of Labour in June of 2000 the Construction Association through its membership on the Saskatchewan Alliance for Economic Growth expressed similar concerns regarding Labour legislation in the province citing several examples of how the legislation could be changed to foster business development in the province.

Recommendation:

- There is a need to reconcile the present labour legislation with the realities that exist in rural areas of the province. Most businesses and employees have a good working relationship that has been successful in developing jobs for rural residents and a margin of profit for the companies. In order to sustain this relationship there is a need for the direct involvement of all players in order to ensure a clear understanding and the development of legislation that is consistent with maintaining businesses in rural Saskatchewan. Education and training including the interpretation of the legislation for both employers and employees would be beneficial to all parties. It is noted that ACRE has established a committee to investigate labour issues based on the urging of several of the subcommittees including the RM&C subcommittee.

IV. Aboriginal and Metis Involvement

Some of the companies interviewed had been involved in the past with aboriginal training programs. The individuals that were hired were able to satisfactorily carryout the work they were assigned, however, there was no long-term commitment to the job. Companies recognized the long term need to involve aboriginal workers in there businesses but were of the opinion that there was a need to bring the closure to land claims and on-going issues and get on with education and training programs.

Recommendation:

- There is clearly a need to provide an environment to ensure that all people can participate in the on-going economic well being of the province. The leaders for the Aboriginal and Metis as well as business leaders recognize that in order to build a strong work force for the future that education and training is required. We need to explore the best ways to engage the Aboriginal and Metis people in the work force.
- The aboriginal population represents about 6% of the total manufacturing workforce in Saskatchewan. There is definitely room to grow this percentage, which would fit in well with the ever-increasing aboriginal population. The biggest stumbling blocks to growth seem to be that aboriginals have traditionally been shut out of the higher paying jobs in manufacturing due to a lack of skills and education. They view manufacturing jobs as low paying and are not that excited to join the workforce in this sector. Aboriginal females represent only 1% of the total manufacturing workforce and have no reason to feel wanted in this sector.
- Another area where there is room for improvement is aboriginal ownership of businesses in this sector. The only aboriginal owned and based business in this sector is the Kahkewistanhaw Indian Nation custom metal fabrication company. One opportunity is the fact that the aboriginal people have a lot of land that could be used to house manufacturing facilities. This is an area that needs to be explored either from an aboriginal owned business view or in partnership with the private sector.

V. Taxation

In general all respondents felt that taxes were a burden to operating businesses in the province. They felt that workers were likely to move out of the province. Taxes limit the opportunity to reinvest in the business such as research and development and make it difficult to hire management level people and we are therefore less competitive when compared to other jurisdictions. A reduction in personal income tax and the elimination of corporate capital tax would encourage capital investment and reduce outflow of investment money. The elimination of education tax on property would also encourage investment in property. The M&P tax credits were viewed as positive. GST and PST are seen as a bureaucratic nightmare - the paying and refunding seems to be created for no reason and it ties up a large amount of money at all time.

Recommendation:

- Tax issues are of concern to rural businesses because it impacts on the bottom line. It is also recognized that the present tax structure for the manufacturing industry including: Investment Tax Credits, Sales Taxes, Payroll Taxes, Manufacturing and Processing Tax Rate, Research and Development Tax Credit are reasonably competitive with other jurisdictions. There is, however, a need to keep pace with other provinces regarding on all taxes e.g. personal income tax in Alberta. There is also an need to make some changes on how GST and PST are managed and reduce the bureaucracy of paying and refunding which ties up a large amount of money at all times.

VI. Growth Stimulation in the Sector

The focus should be on creating a business environment where business can prosper and create the jobs rather than government creation of jobs because this approach doesn't work. Build on supporting businesses that are already here rather than chasing new businesses. This could be accomplished by changes to labour legislation and other changes such as providing subsidies for up to 3 years for experienced and professional people to fill key management positions such as sales, accounting and engineering. There is recognition that a strong farm economy has a significant impact on local industries. In addition there is a need to educate the public that success is a good thing created by good people.

Recommendation:

- There is a need to address industry training needs, expose industry to best practices, the latest advanced technologies, providing adequate R&D infrastructure, maintaining a good transportation system, streamline provincial regulations and implementing a plan to ensure long-term competitiveness.
- The SRC diagnostics identified that 55% of the manufacturing firms surveyed were having difficulty with quality but only 12.5% of the group surveyed were ISO certified and 52.5% had no system for quality assurance. In general, the industry does not value the benefits of a formal quality system nor do their customers recognize or require such a system. More education is required to raise the awareness of the costs of defects and the benefits of continuous improvement and the benefits of managing quality. There is a need to continue to enhance the awareness of benefits of constant improvement and quality control and assist industry in implementing these principles.

VII. Other Factors Affecting the Business Environment

There is need to maintain basic services in the local community where businesses are located like schools and health care. Our province is viewed as a province where companies looking to invest apply the "Saskatchewan Discount factors" which includes old labour laws, high taxes, poor infrastructure (roads, services) and shortage of skilled people. Most people stay in the province because of family ties - not money. The environmental regulations (all regulations) need to set out in plain language and applied in a logical manner so they are simple to follow. There is a need for a free service that could assist smaller businesses (with limited resources) to access this information.

The removal of the Crow Rate has created a more positive environment for value-added in the province and we need to move beyond basic production in agriculture. Rural Saskatchewan feels that governments have abandoned them - loss of schools, hospitals, deteriorating roads and other infrastructure - the view is that rural Saskatchewan is falling apart and no one cares.

On the more positive side association programs like the PIMA safety program is recognized as very worthwhile and keeps workman compensation in check.

Recommendation:

- In general, the public does not have an appreciation of the benefits and the impact of this sector on the provincial economy. A program poised at elevating the awareness of this industry should be pursued. The creation of a manufacturing week should be considered to highlight the broad range of manufacturing that exists within Saskatchewan, to disband the perception that this industry is low-tech and to use it as a tool to reward our local players for the successes they have achieved. Information gathered in the promotional events could be further utilized to promotional literature for promoting our province abroad and for investment attraction purposes.

VIII. Freer Trade

In general respondents supported free trade and viewed it is as the reality of the market place. They felt it is better for business because of our small population and it allows better access to the global markets. We need to look for opportunities for freer trade into Europe and South America as well. All provinces should have the same rules and be open for free trade as well (issue of inter-provincial trade barriers).

Recommendation:

- Free trade is viewed as a reality and it is perceived as benefiting the sector allowing for greater participation in a global market place. We need to pursue freer trade in both Europe and South America and address some of the inter-provincial trade barriers that exist in Canada.

IX. Transportation

The key message is that we need to improve the road, rail and air services in the province to support business development. The fuel tax should be used to fix and improve roads. Regulations on roads should be the same for business, farm and private and consistent between provinces. It is recognized that if we move heavy freight by rail it would relieve the abuse of our highway systems. Rail competition may serve to reduce freight costs. There is a need to provide access roads to local businesses.

Recommendation:

- One of the key messages is that the fuel tax should be used exclusively to improve roads in the province. The is a need to apply a consistent set of regulation on the use of roads (business, farm and private) and develop a strategy that integrates the road, rail and air services in the province to support business development. This should include a program to provide access roads to rural businesses.

X. Utilities/Communication Access

There is a need to improve communication access in rural Saskatchewan through high-speed phone lines and cellular coverage. The installation of 3-phase power and gas connection is very expensive for small business to get started.

Recommendation:

- In order to keep pace with technology rural businesses require access to high-speed phone lines and cellular coverage. There is a need for the province to take steps to put these services in place. In addition the installation of 3-phase power and gas required for this sector to expand needs to be considered as an overall strategy. The idea of a "business cluster" for this sector may have some merit.

XI. Education and Training

There is a view that SIAST should direct more effort in providing welding skills that are needed by Saskatchewan manufacturing businesses. This sector needs people on the production line that can weld - not journeyman. They need people with basic welding skills not gas line welders. In most cases journeyman welders leave the province after training. The respondents viewed support from government for programs like Buy Saskatchewan, Job Starts/Future Skills (should include upgrading as well as just new applicants) as positive. In order to hire management and skilled labour companies need to emphasize Saskatchewan's attributes such as clean air, fishing, close to work.

Recommendation:

- Industries need a pool of welders and advanced skilled people who can contribute to a company's continuous upgrading of its products. Saskatchewan companies have had difficulties with this issue. Programs should be designed with input from the industry that addresses their needs.
- The education system should focus more on the technical trades. The system generally focuses on an academic training as a means to developing a career. The promotion of trade jobs as a career would provide a greater number of skilled professional to address this sector's needs.

XII. General Issues

Companies stay in Saskatchewan because they started here and it is a way of life, the respondents prefer to stay in rural Saskatchewan because they like the people, the local community, weather and being close to lakes and other recreation opportunities. Most people stay in the province because of family ties - not money. Taxes and politics are problems but they are the same at any location. In addition there seems to be some excitement in expanding and operating a business in Saskatchewan

There is a general feeling that less government would be better for the Sector and that governments need to develop a better business environment. We need to be competitive and a place where people want to do business.

Recommendation

- Need to develop a comprehensive business strategy for the province that looks at: taxes, labour laws, infrastructure (communication access, roads, rail, air service), training, public education, trade issues, Aboriginal issues as noted in some of the above recommendations. In general creating an environment that is stable (not changing every time a government changes) in which people are willing to make a long-term business investments.

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ACTION COMMITTEE ON THE RURAL ECONOMY

Rural Service Sector Subcommittee Report
March 2001

Dick DeRyk (Chair)
Deborah Ehmann
Doug Griller
David Sloan
David Merrit

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INTRODUCTION

Members of The Rural Service Sector Subcommittee:

Dick DeRyk - Chair
Yorkton, Business Operator and Tourism Industry Promoter

Debra Ehmann - Co-Chair
Dundurn, Farmer, the Canadian Coalition for Agriculture Safety and Rural Health employee

Doug Griller
Quill Lake, Farmer and Retailer, President of the Saskatchewan Bison Association

Lester Lafond
Saskatoon Businessman, Federation of Saskatchewan Indian Nations (FSIN)

David Marit
Fife Lake, Farmer and Saskatchewan Association of Rural Municipalities (SARM) Director

David Sloan
Richardson, Farmer and Chair of the Area Transportation Planning Committees' Chairpersons' Committee

Nial Kuyek
Staff Resource, Saskatchewan Agriculture and Food

Barry Gunther
Staff Resource, Saskatchewan Economic and Co-operative Development (SECD)

The Subcommittee was mandated to examine the service-producing sector in rural Saskatchewan, both private and public. Included are utilities, transportation, communications, finance, insurance, real estate, retail and wholesale trade, government services, health and education services, tourism, accommodation and food services, and services to businesses, dwellings and people. Given this very wide scope of the rural service sector, the Subcommittee spent the first three meetings discussing these areas and identifying the issues that need to be addressed.

In this process, the Subcommittee concluded that dialogue with key organizations of the rural service sector relative to issues and strategic plans was necessary if the Subcommittee was to make meaningful recommendations for the future of Saskatchewan's rural services sector. Accordingly, the following consultations were organized for this purpose:

February 16, 2001:

- Saskatchewan Transportation Company
  Greg Beattie; John Miller
- Saskatchewan Water Corporation
  Claire Kirkland

February 23, 2001:

- Commission on Medicare
  Patrick Fafard
- Saskatchewan Association of Health Organizations
  Louise Simard; Tonya Duffy and Ken Kosoloski
- Sask Power
  John Wright
- Saskatchewan School Trustees' Association
  Garry Shaddock and Craig Melvin

March 2, 2001:

- Department of Education
  Craig Dotson; Margaret Lipp, Gerry Singchin, Darlene McLeod and Terry Myers
- Saskatchewan Arts Board
  Jeremy Morgan
- Sask Culture
  Rose Gilks
- Tourism Saskatchewan
  Roy Anderson

March 16, 2001:

- Sask Tel
  Darryl Silzer; John Meldrum; Ken Wittal

March 19, 2001:

- Department of Economic and Co-operative Development
  Cam Pelzer; Van Isman
- Department of Highways and Transportation
  Ron Styles; Barry Martin; Carl Neggers; Daryl Nixon
- Department of Post-Secondary Education and Skills Training
  Neil Yeates; Wayne McElree; Linda Smith, Laureen Gatin
- Sask Energy
  George Barnhart
- Saskatchewan Medical Association
  Dr. Martin Vogel; Ed Hobday

These consultations were vital to the Subcommittee better understanding the issues involved and policies, programs and strategic plans already in place by key stakeholders to address these issues. All organizations invited to participate did so with senior representatives and with frank and quality dialogue.

RECOMMENDATIONS

I. Water and Waste Management

Water supplies of sufficient quantity and good quality, and effective waste management pratices that protect air quality and water resources, are essential to life in rural Saskatchewan and the growth of the rural economy.

Recommendations

- Government needs to play a strong advisory, advocacy, coordination and regulatory role to ensure the protection of vital water resources for present and future generations.

- Education on water quality management and monitoring is needed for rural residents and municipal technicians.

- Greater inter-municipal cooperation for staffing and infrastructure development and maintenance related to water quality and waste management needs to be pursued. For example, a municipal employee with expertise and training in water quality and waste management could provide these services to neighbouring municipalities on a contract basis.

- It is not practical for every community to obtain and sustain a complete water treatment and distribution infrastructure. Criteria needs to be developed for practical alternatives, including, for instance, distribution of raw water to households with their own treatment systems (the so-called under-the-sink systems). User-pay and community-based decision-making need to be key principles in this decision process.

- The role and financial support of the Prairie Farm Rehabilitation Administration (PFRA) in farm and rural water development which has diminished in recent years should be restored to previous levels.

II. Transportation

A basic public passenger and freight transportation system is necessary for the future of the rural economy.

An affordable and quality municipal road and provincial highways system is important to the future of rural Saskatchewan, from both economic and social perspectives.

Recommendations

- That the Government of Saskatchewan provide funding to the Saskatchewan Transportation Company to provide basic public passenger and freight transportation services to rural Saskatchewan where use warrants.
- In an effort to be more proactive, all jurisdictions responsible for roads and transportation must do a better job of educating the public on the load capacity of roads and highways, the importance of weight compliance and safety issues.
- That the Action Committee on the Rural Economy further examine the following transportation issues necessary to achieve an affordable and suitable municipal road and provincial highway system.
    - Further improve the coordination and integration of planning the permanent municipal road and provincial highways system between the provincial and municipal governments through the Area Transportation Planning Committees and other such mechanisms.
    - Remove the politics from planning and resource allocation decisions.
    - Finalize the road classification system.
    - Provide rural municipalities with the authority to designate permanent haul routes.
    - Funding decisions are now largely based on traffic volumes. Economic and social factors need to be included in the decision criteria, to give proper relevance to factors such as distance from major centres, sparsity of population, and the needs of business.
- Highway signage is very important to rural communities and businesses. Directional signage for communities must be effective and up-to-date. Provision of signage within the highway right-of-way for specific businesses and community services should be available on a cost-recovery or cost-shared basis.
- The Department of Highways must have a three-year capital works program to be more timely and cost-effective and to allow multi-year funding commitments.

III. Professional, Personal and Business Services

Technological capacity is a necessity if finance, insurance and real estate businesses are to operate competitively and efficiently in rural Saskatchewan.

The provincial regulatory process is slow to provide decisions, and slow to resolve conflicts between urban, rural, agricultural and other land uses.

The agreed that the marketplace generally determines the nature and number of private sector professional services and that these will only be available in rural Saskatchewan if economic and regulatory/operational conditions are favourable.

Rural communities are experiencing increasing difficulty in attracting and retaining professionals such as doctors, veterinarians, nurses, teachers and emergency medical technicians.

Some communities and organizations have used innovative approaches to address this problem. Several municipalities in the Assiniboia area financed the education of a local student through medical school with a requirement for local service after graduation. The Saskatchewan Medical Association maintains a fund to financially support relief doctors (locums), vacation relief and scholarships.

Recommendations

- That provincial government approval processes for zoning, planning and development, water and sewage, and other approvals be reviewed and streamlined to be more time efficient and to meet the needs of proponents. The recognizes that this could ultimately require further resources.
- Develop a fully integrated, comprehensive, multi-discipline single source database of information available to municipalities, economic development organizations, businesses, professionals and others including detailed information on soil, water supply, transportation infrastructure, incentives, local government structure, land ownership and taxation.

- Better integration of agriculture, economic and rural development programs and services should be pursued with municipalities, REDAs, Community Futures projects, and provincial departments to:
- Eliminate duplication.
    - Create efficiencies, linkages and synergies.
    - Create a "one-stop shopping" service.
- Publicly funded agriculture development programs and services need to be maintained and enhanced to further the growth of Saskatchewan agriculture at primary production and value-added levels.
- Support and promote the concept of local municipalities and professional/trade organizations financing the education of tradespersons and professionals, with a requirement for service in rural Saskatchewan.
- Recognize the need for isolation and remoteness incentives to attract professionals to rural areas.

IV. Emergency Services

Police, firefighting and emergency medical services are essential but are high cost services in rural Saskatchewan due to sparsity of population and distance.

Recommendations

- A local approach and cooperation between municipalities should be encouraged for firefighting services. Incentives should promote co-operation between municipalities.
- There is need to create awareness of what citizens can do to supplement police services through programs such as: Rural Crime Watch, Crime Stoppers, and Citizens on Patrol.
- Rural air strips must be reviewed and enhanced for emergency medical services.
- Training for firefighting must include rural conditions.
- There is urgency to ensure speedy implementation of a province-wide 911 emergency response system.

V. Arts and Culture

Saskatchewan is seen as a leader in partnerships and volunteerism that support arts and culture.

The arts provide both physical and intellectual relief and diversion for people in rural Saskatchewan.

The rural environment is generally well-suited to the lifestyles and interests of artists.

Recommendations

- Entrepreneurial training is needed for arts and culture. Research on opportunities and business models needs to be made available.
- Performing and visual arts events, often located in larger urban centres, provide rural communities with opportunities for community-based entertainment and culture which provides diversity, and an enhanced quality of life. Public arts policy must assist rural areas to develop these opportunities at a local level.

VI. Tourism

Tourism in Saskatchewan's 4th largest industry.

The attitude of Saskatchewan people is an issue at times. The tourism potential of Saskatchewan is not widely recognized by Saskatchewan people.

TourNet is a method for public access to Saskatchewan's tourism operators.

Recommendations

- There is need for education about opportunities and the undeveloped potential for aboriginal, agricultural and ecological tourism.
- Specific opportunities in agritourism and ecotourism must be identified and qualified; and potential rural private and public sector partners must be involved in the development of these opportunities.
- Specific opportunities in aboriginal tourism must be identified and qualified involving First and Metis Nations in that process and subsequent development.

- Saskatchewan's history, often preserved at the local level, provides vast opportunities for greater development as is already being done in communities such as Moose Jaw, Whitewood, Batoche, Battleford, Verigin and others.
- A dedicated tax should be seriously considered to provide funding for tourism product development and marketing.
- There needs to be greater access to hunting licenses for foreign hunters using Saskatchewan outfitters.

VII. Education

The Subcommittee's discussions relative to the K-12 system focused on declining rural populations, school enrollments and the configuration of the future system.

Post-secondary education was particularly examined from the perspective of accessibility of education and training opportunities in rural Saskatchewan and ways to educate youth for employment in rural Saskatchewan.

The high quality of Saskatchewan's K-12 and post-secondary education systems is acknowledged.

Recommendations

- That the Saskatchewan School Trustees' Association, Saskatchewan Teachers' Federation and Department of Education co-operate to fast-track pilot projects that will provide education locally through distance education and technology as an alternative to extended busing.
- That entrepreneurial training be developed and included in our K-12 school system.
- That the expertise of local people and the availability of local facilities, such as automotive shops, institutional kitchens, etc., be used to deliver education programs where such expertise and facilities are not readily available within the education system.
- Given the continuation of declining enrollments and school closures, policies and programs for renovations of facilities must be given at least the same priority as construction of new facilities.
- Saskatchewan's universities need to be aggressive in recruiting and thus retaining our best high school graduates through scholarships and other incentives.
- In allocation of "seats" in various professions and disciplines in post-secondary education, priority should be given to students who will commit to future service in rural Saskatchewan.
- Enhance agriculture in the school curriculum and acknowledge its importance to Saskatchewan and Canada.

VIII. Utilities and Electronic Communications

The commitment of Sask Energy, Sask Power and Sask Tel to rural Saskatchewan is acknowledged as is the relatively high quality and cost-competitive services which they provide.

Electricity and natural gas costs resulting from demand charges or similar pricing strategies can be a major disincentive to the operation of cultural and recreational facilities in rural Saskatchewan.

Recommendations

- Sask Energy's approach to link rural offices by electronic communications technology and move work to offices with capacity is a model to be considered by provincial government departments, crown corporations and agencies to maintain a presence in rural Saskatchewan, avoid office closures, and provide employment.
- The Subcommittee endorses Sask Power's Green Power Program and the pursuit of wind-power, co-generation and other electricity generation alternatives, many of which appear to be feasible in rural Saskatchewan.

- A program should be established to assist small communities with the energy costs of operating cultural and recreational facilities and to encourage energy efficiency in operating local facilities.
- The Subcommittee strongly reiterates the January, 2001 recommendation of ACRE for extension of high speed internet and cellular telephone services throughout Saskatchewan.
- Incentives to promote exploration and development of natural gas in Saskatchewan should be considered.

IX. Health Services

Provision of health care services is critical to rural Saskatchewan. It determines where people will live.

Recommendations

- The Subcommittee supports the implementation of primary health care services on a coordinated, integrated and multi-disciplinary team basis. This would ensure that health professionals do not work in isolation, would reduce professional "burn-out", and would make it easier to recruit and retain professionals.
- As the health care system consolidates, Saskatchewan's emergency services systems must be enhanced to provide a strong sense of security and assurance to rural residents that the infrastructure exists to provide speedy access to health care facilities and services that may be some distance away.
- The first priority must be an effective primary health care strategy and system that is proactive, understood, and supported by funding. Only when this is in place can an effective governance model be developed with clear definitions and understandings of roles, authority, accountability and autonomy.

Appendix 1 Schedule of Meetings

Saturday, November 27, 2000

Saturday, December 16, 2000

Saturday, January 13, 2001

Tuesday/Wednesday, January 23 and 24, 2001

Thursday/Friday/Saturday, February 15, 16 and 17, 2001

Thursday/Friday, February 22 and 23, 2001

Friday, March 2, 2001

Friday, March 16, 2001

Monday, March 19, 2001

Wednesday, March 25, 2001

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ACTION COMMITTEE ON THE RURAL ECONOMY

Tools for Economic Development Subcommittee Report

September 2001

Joan Corneil (Chair)
Eugene Kessler
Gary Atimoyoo
Wayne Bacon
Evan Ortynsky
Darell Pack
John Serhienko
Denise Smith

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DISCLAIMER

In developing its report, the subcommittee heard various presentations, conducted a review of the rural economic development literature and reviewed the written submissions that were sent into ACRE that dealt with economic development. While this subcommittee used this material as background for its report, the subcommittee does not necessarily endorse all the views presented in the material.

REVIEW OF SASKATCHEWAN AND FEDERAL PROGRAMS

The subcommittee originally under took the task to review federal and Saskatchewan programs that may impact on rural Saskatchewan. However, the number (over 110 programs) and complexity of the programs were such that the subcommittee did feel that they had the resources and expertise to review the programs. However, the subcommittee believes that a comprehensive review should be undertaken to ensure that these programs meet the needs of rural Saskatchewan.

RECOMMENDATION SUMMARY

Economic development in rural Saskatchewan has traditionally been focused on primary resources. For example, if the crops sector in agriculture was thriving then rural Saskatchewan was thriving. Historically, primary agriculture provided the employment and wealth creation opportunities in rural Saskatchewan.

Primary agriculture (crops sector),[1] which used to be a labour intensive and high margin industry, is now a very capital intensive and low margin industry. As a result of this shift, the number of farmers and farms necessary to farm the land has declined rapidly. The decline in the number of farms and farmers has meant that the number of people necessary to provide support services to the agricultural sector has also declined. The declining employment opportunities in the crops sector and its support services has meant that rural people, and especially its youth, have had to leave rural Saskatchewan in order to find employment.

There is a strong consensus amongst those involved in rural development policy that the trends described in the preceding paragraph will continue. While primary agriculture (crops sector) will continue to generate wealth, this wealth generation will arise with fewer and larger farms.

The changes described in the agriculture sector have also occurred in other natural resource industries such as forestry and mining that operate in rural areas of Saskatchewan. These industries have become very capital intensive and have been shedding labour.

In an attempt to add more value to their products and hence more employment, these sectors and particular the forestry sector have been moving up the value chain. The forestry industry in northern Saskatchewan has been quite successful in adding more value to the raw wood products, which in-turn has increased employment and economic activity in the forested areas of the province.

It is critical that economic development in rural Saskatchewan move away from its focus on primary resources to a focus on people. If there is to be a viable rural Saskatchewan, there needs to be people living and working in rural Saskatchewan. A sufficient population base or a critical mass of people is necessary in order:

- to ensure an adequate labour pool for new business enterprises;
- to maintain public services such as schools and hospitals; and
- to ensure that the large investment in infrastructure does not become redundant.

Maintaining and increasing the population base in rural Saskatchewan means that there must be sufficient economic activity to create employment opportunities. At a minimum there must be sufficient employment growth in the non-primary agriculture sector to offset the decline in employment in the primary agriculture sector (especially the crops sector).

The change in the policy focus must be acted upon quickly while there is still a critical mass of people and infrastructure left to maintain a functioning rural economy. To quote David Freshwater, a well regarded authority on rural economic development issues:

> **"..., leaving rural areas to their own devices is a potentially dangerous alternative, particularly if this results in accelerated out migration to urban areas, and converts a rural development problem to an even less tractable urban development one."[2]**

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[1] The subcommittee believes that there are substantial opportunities in the livestock sector.

[2] Freshwater, David, Three Papers on Rural Development, TVA Rural Studies Program, University of Kentucky, Staff Paper 00-14, November 2000, page 42.

INTRODUCTION

Economic development in rural Saskatchewan has traditionally been focused on primary agriculture, especially the crops sector, i.e. if the crops sector was thriving then rural Saskatchewan was thriving. Historically, primary agriculture provided the employment and wealth creation opportunities in rural Saskatchewan.

However, primary agriculture (crops sector)[3] which used to be a labour intensive and high margin industry is now a very capital intensive and low margin industry. As a result of this shift, the number of farmers and farms necessary to farm the land has declined rapidly. The decline in the number of farms and farmers has meant that the number of people necessary to provide support services to the agricultural sector has also declined. The declining employment opportunities in the crops sector and its support services has meant that rural people, and especially its youth, have had to leave rural Saskatchewan in order to find employment.

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The Role of Small Business in Rural Economic Development

Based on the presentations given to the subcommittee and a review of the literature on rural economic development, it is the view of the subcommittee that the creation of a thriving and profitable small business sector[5] is the key element in revitalizing the economic health of rural Saskatchewan. The subcommittee believes that the small business sector will create employment for people in rural Saskatchewan and provide off-farm employment opportunities for farm families. The ability for farm families to access off-farm employment may also mean that a larger number of smaller farms may continue to exist as they will now be able to supplement their farm income with off-farm income.

The subcommittee is also of the view that the small business sector is a better fit to match the small labour pool that exists in rural Saskatchewan. Trying to attract large firms with hundreds of employees is unlikely to be very successful in most areas of rural Saskatchewan, because of the lack of a large labour pool.

Keys Drivers Needed to Create a Successful Business

The development of a thriving small business sector in rural Saskatchewan means that creating viable small businesses will be a key element to achieving this objective. During its deliberations, the subcommittee developed the following list of key requirements for creating a successful business:

Inputs

- Project idea
- Human resources (leadership, management, technical expertise, training)
- Source of supply of inputs
- Capital (equity and debt for fixed assets and operating costs)

Government Role

- Infrastructure (utilities, transportation)
- Regulations (environmental assessment; programs and policies)
- Taxation
- Government attitude toward business development
- Attitudes
- Community support for the project
- Community involvement in site selection
- Groups and individuals willing to work together to initiate and implement projects.

Markets for Products

- Product development

Role of Government and the Private Sector

It is the view of the subcommittee that the Government of Saskatchewan must develop a regulatory and legislative climate that is conducive to creating a thriving small business sector in rural Saskatchewan. This means that government policy must focus on reducing roadblocks that hinder the establishment of small businesses. The subcommittee is also of the view that government policy can also play a positive role in developing the small business sector.

The private sector has the major role to play in establishing a thriving small business sector. If the proper business climate is established by the province, it is up to private entrepreneurs not government to create the new businesses and opportunities.

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Summary of Recommendations

The subcommittee has developed a series of recommendations based on information they obtained through a literature review, meetings with individuals and a review of written submissions. The subcommittee believes the recommendations will enhance the development of the small business sector in rural Saskatchewan. It is critical that the small business sector more fully develop in rural Saskatchewan to offset the decline in employment in the primary agriculture, especially in the crops sector. The further development of a profitable small business sector will enhance employment opportunities in rural Saskatchewan, which will mean more opportunities for people to remain in rural Saskatchewan.

I. Recommendation on Governance and Coordination

That the Government of Saskatchewan initiate a process to enhance coordination of rural economic development activities between federal, provincial and municipal governments to ensure greater effectiveness, efficiencies and accountability.

a) As part of this process, it is recommended that the province establish a voluntary program that encourages municipalities in a region to cooperate in a Reeves-mayor's council similar to that initiated under the Regional Parks Program. For example, under this program, the council could qualify for assistance (financial and technical) to establish a coordinating office and coordinating opportunities fund. Criteria could be as follows:

1. A minimum of 5 to 10 municipalities (urban and/or rural);
2. Coordination of standardization of weight limits, environmental controls, zoning, etc;
3. Cooperation on infrastructure of waste management, water inventory and the availability of their resource;
4. Cooperation on (housing, office space, and warehouse) inventories; and
5. Standardization of tax structures and policies that affect the tax structure.

b) It is also recommended that the Government of Saskatchewan along with the Government of Canada examine the concept of developing co-terminus boundaries as a means to create a more conducive and comprehensive environment for their service delivery and rural economic development planning.

II. Recommendation on Business Start-ups

It is recommended that the Government of Saskatchewan carry out a thorough review of the programs implemented in Ireland to assist in the development of business startups. The focus of the review would be to determine whether the Irish programs would be applicable for Saskatchewan. If the programs are applicable, it is recommended that the province implement similar programs in Saskatchewan.

III. Recommendation on Immigration

This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: "That the Government of Saskatchewan promote immigration of families and extended families and that the obstacles for professions such as teachers and nurses be eliminated, and that farmers and agriculture workers be considered as a priority and that potential partnerships be developed with First Nations for the utilization of labour and Treaty Lands as well as provincial farm lands."

IV. Recommendation on Accessing Capital

a) This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: "That the Government of Saskatchewan dedicate a pool of financial resources to create a venture capital fund that can be accessed by professional financial management firms to leverage private capital. Such a fund will be arms-length from government, managed by a financial management firm and utilize a transparent formula designed to ensure that venture capital funds utilizing public investment are required to invest in Saskatchewan companies, employing less than 300 people and having 25 percent of their paid workforce headquartered in Saskatchewan based on the ratio of public and private capital in the fund. The amount of money invested in Saskatchewan ventures would be based on the percentage of government funds in the total venture capital fund."

For example, if there is a $25 M agri-value venture capital fund of which 70% is public investment and 30% is private, the fund will be required to have 70% of its investments in Saskatchewan ventures.

b) That senior levels of Government examine the feasibility of creating a program aimed at leveraging private capital for investment in small ventures.

V. Recommendation on Business Education in The Classroom

That the Department of Education, Department of Economic and Co-operative Development, the Saskatchewan Chamber of Commerce, the Saskatchewan Teacher's Federation and Federation of Saskatchewan Indian Nations (FSIN), among others, work together to develop a curriculum component for the primary and secondary system that is dedicated to business/ entrepreneurship education.

VI. Recommendation on Broadband Services

That the Government of Saskatchewan coordinate its Community Net initiative with any future federal initiatives that may be developed in response to the recommendations from the National Broadband Task Force.

a) That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most efficient provision of health care services in rural and remote Saskatchewan.

b) That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most effective provision of educational services in rural and remote Saskatchewan.

c) That the Government of Saskatchewan create and implement an education and training program that enables rural and remote residents and businesses access to training in order to fully understand and utilize computer and Internet services provided through Community Net.

d) That the Government of Saskatchewan provides appropriate funding for help desk services for rural and remote Internet and computer users.

VII. Recommendation on Attitude

That all provincial associations/organizations, such as the Saskatchewan Chamber of Commerce, Saskatchewan Association of Rural Municipalities (SARM), Saskatchewan Urban Municipalities Association (SUMA), Federation of Saskatchewan Indian Nations (FSIN), all media etc., jointly develop and commit to an action plan to build positive attitudes and promote the attributes of rural Saskatchewan.

VIII. Recommendation on Rural Housing

That the Government of Saskatchewan develop an Internet based central cataloguing system of available Sask. Housing units for rent or purchase in rural Saskatchewan.

IX. Recommendation on Leadership

That the Government of Saskatchewan and the Government of Canada work together to implement a province-wide mentorship program where, for example, a project manager would be assigned to a non-profit project in a community to work with the volunteers for a period of time up to 60 days, to initiate the planning process and provide direction and experience of navigating through the regulations of government and financial institutions.

X. Recommendation on Aboriginal Impact

It is recommended that the Government of Saskatchewan initiate discussions with the Government of Canada to provide mechanisms for First Nations people and their communities to access federal programs and services initiated at the provincial level.

That the Government of Saskatchewan begin the process of removing barriers, to provincial programs and initiatives, that prevent First Nations participation.

That the Government of Saskatchewan implement policies that encourage the private and public sector to forge partnerships with Aboriginal organizations, and that the public sector be encouraged to establish and implement targeted, set aside policies for Aboriginal providers of goods and services.

XI. Recommendation on Community Development Granting Foundation

That the Government of Saskatchewan form a Task Force to study the feasibility of establishing a foundation similar to Ontario's Trillium Foundation that would support rural community economic development initiatives.

REVIEW OF WRITTEN SUBMISSIONS[7]

There were 65 written submissions that were addressed to ACRE concerning the future of rural Saskatchewan. The subcommittee read and discussed the issues, concerns and ideas that came directly out of the grass roots of rural Saskatchewan. There were several repeated key issues that need to be highlighted.

The staggering farm economy from reduced market place returns.

- Low Return on Investment (ROI) is not attracting new entrants or venture capital to help rebuild the aging agriculture sector.
- Off farm income is subsidizing farm operations. (If the farm is losing money, why farm if alternate income is the controlling issue.)
- The subcommittee did not examine the safety net process but it was repeated many times that safety nets need to be enhanced.

Urban Rural Economic Bidding War.

- Urban cities, especially Regina and Saskatoon, lure business into their cities, having a customer and tax base to do so; this further centralizes rural Saskatchewan.
- There seems to be no concern from urban Saskatchewan about rural Saskatchewan problems. Rural structures and services are still expected to be there when needed by urban residents.

Taxes.

- A heavy burden on the rural economy especially school taxes on farmland.

The province's crumbling infrastructure.

- Abandonment of rail beds and rural elevators.
- Roads in need of repair.
- Rural health care deteriorating.
- Small businesses need to have access to utilities (hydro, natural gas, water) and communication services (high speed Internet, multi phone lines, cellular coverage).

The creation of new and innovative businesses that would empower and employ rural Saskatchewan.

- The need for real steps to have a small business succeed (less talk more action).
- The rural economy needs advantages over urban to compete.
- Mentorship (business education) of new businesses along with wage and tax subsidization.

Attitude.

- Rural Saskatchewan is loaded with apathy.
- Years of struggle and the deterioration of the economy have been discouraging.
- This attitude is reflected on the succeeding generations as they see opportunities across other borders.

There was an underlying message for the government of Saskatchewan - Action Not Reaction - do what you say you are going to do! - Putting the people of Saskatchewan first.

In conclusion there is no silver bullet to the process of revitalizing rural Saskatchewan. There must be encouragement of local leaders to be innovative and aggressive. Rural Saskatchewan wants to take ownership of their ideas and is looking towards government to provide them with the tools to do so.

The subcommittee would like to thank all that took the time and energy to forward their thought and ideas to ACRE.

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[7] Saskatchewan Economic Developers Association and Community Future Development Corporations were polled for their views and their responses were considered in making the recommendations.

RURAL ECONOMIC DEVELOPMENT: VIEWS ON THE CRITICAL FACTORS TO SUCCESSFUL RURAL DEVELOPMENT

The views of David Freshwater

Professor David Freshwater, a Canadian Professor at the University of Kentucky has spent many years studying the issue of rural economic development. In November 1999, Professor Freshwater released a report called "Rural America at the Turn of the Century". In November 2000, Dr. Freshwater published three papers on rural development. These papers were based on presentations given by him at three conferences in June 2000.

A review of the literature on rural economic development suggest that the views of Dr. Freshwater are very similar to views held by other economists and rural economic development experts. Thus for the purposes of brevity, this report will summarize the views of Dr. Freshwater. The following section summarizes the major themes in the four papers.

Employment in Rural Areas

The central issue in rural development policy for all levels of government, national, state and local is how the chances to enhance employment can be improved. Enhancing employment opportunities in rural areas is a necessary condition for economic development to occur.

It must be recognized that, for most people, labour markets are not international or national in scope, but are local. The key challenge in designing employment policy for rural areas is to develop programs that deal effectively with small numbers of people that seek employment in a labour market that is both thin and geographically large. Thus employment policy may be significantly different for rural areas vs. urban areas. Sufficient flexibility in employment policy should be developed to allow local labour markets of various sizes to function more efficiently.

In terms of developing an employment policy, there needs to be a balance of recruitment (of firms outside local areas) and locally based development if employment opportunities are to be expanded. Recruitment of outside firms is an ongoing process. It is this phenomenon that makes the effort t improve labour force qualifications important. When the recruited firm leaves the community, if human capital has been improved because of the firm, then the chances of finding a replacement enterprise improves.

With respect to employment programs, entrepreneurship or self-employment initiatives must be an important part of any employment oriented development strategy. While it can be demonstrated that entrepreneurship is an effective means of economic development there is less certainty of how to bring it about. Developing an interest and aptitude among the local population in starting and operating small businesses is not easily accomplished.

However agriculture, in particular, provides ideal training for other types of businesses as farmers have developed many of their skills necessary to run a business. Thus areas with a large farm population are particularly suitable for efforts to encourage entrepreneurship.

Role of Agriculture and Other Resource Base Industries in Rural Development

Rural development policy has historically been formulated as agricultural policy. In fact it is very difficult untangling agricultural policy from rural development policy. However the changing structure of agriculture, with larger farms and a smaller agriculture population along with an increased importance of non-agricultural industry in rural areas has meant that traditional farm-based development programs no longer have any meaningful effect on most rural areas and to a considerable degree have little impact on a large share of remaining farms.

It would appear that for most rural places, natural resources promise little future income growth. (The subcommittee is of the view that while there is little future in resource extraction, there are large opportunities in adding value to the resources before they leave Saskatchewan.) The rural labour force has always been characterized by a lower level of educational attainment and formal skills than were to be found in urban areas. Historically this did not matter as employment could be found in the natural resource industries, however these opportunities are declining.

Role of Local Communities

Successful rural development is almost always a fundamentally local phenomenon. Ultimately, successful rural development depends on local initiatives. The magnitude of the required changes and the high degree of variability in the nature of appropriate changes for individual places suggest that national governments will not be able to provide a lot of support.

In developing rural development policy, it is important that national and lower levels of governments think about specific types of rural policy interventions. By their nature national polices are broad in their scope and may not address the specific needs of smaller rural places. Thus, local governments can play a role in creating an environment in which national policies can work more efficiently.

Rural areas have to define development strategies that are appropriate for them, not be forced into accepting one's that have been defined by urban interests. As the agriculture sector continues to decline, rural communities will evolve in very different ways once they progress beyond being farm dependent. This makes a national rural policy that does not have a strong role for local leaders unlikely to be effective especially in large nations like Canada and the US.

Locally based development strategy has some obvious deficiencies:

- The first is that it sets up competition among communities in search of employment and income;
- Communities perceptions of their future development opportunities are conditioned by their past experience. Thus, agriculturally dependent areas typically believe their future will be in agriculture, or perhaps in food processing or agro-tourism, but not in manufacturing. While this is a sensible strategy in a stable economic environment, it is likely to be inappropriate in a economic environment that is changing rapidly;
- Rural residents need to develop partnerships that can serve individual needs. Yet residents of rural areas generally lack the important interpersonal skills for organizing such partnerships. The traditional rural ethos of independence and self-reliance becomes an impediment to forming large enough groups to become effective; and
- Another inherent characteristic of rural places is a resistance to change. It is argued that rural society is traditional, conservative, and detached from the sources of innovation.

Influence of Technology and Infrastructure in Rural Development

Changes in technology and in patterns of trade have had a very large impact on rural areas because they are much more exposed to changes than in most city economies. Other than the service sector, very little economic activity in rural areas is buffeted from external competition.

The development of modern telecommunications has enhanced the opportunity for the niche marketing of small-scale products. E-commerce will play a large role in the future development of rural areas. The critical question is how well positioned rural places, businesses, and people are to make use of the Internet.

To take an advantage of the Internet, communities must have an adequate telecommunications infrastructure and access to an Internet service provider. Secondly, access depends upon having a computer and the skills to operate it, as well as the financial means to pay for connection charges.

Rural Change and Rural Development Policy

Historically government policy has focussed on a sectoral or place-based approach. This approach is unlikely to be as successful in the future as it was in the past as traditional rural sectors like agriculture and resource-based industries are shedding jobs and replacing labour with capital. In addition to less direct employment there is also less indirect employment as industrialization of these sectors replaces local linkages with linkages to larger regional or national economy as a source of inputs and markets.

Support for resource sectors now provides little benefit to rural areas because a declining share of the rural population is engaged in this type of work. Well after agriculture has ceased to be the dominant force in much of North America, it continues to drive the policy process, to the harm of rural development.

Most importantly the new environment has shifted the critical element that defines economic function and success from land (natural resources) or place to people. Aid to places is also less successful because assistance for infrastructure development has little long-term effect if the community does not have an economic function.

Rural development policy should therefore focus on helping people. Helping people means ensuring people have the appropriate skills, thus employment policy should emphasize the accumulation of human capital especially a strong general education.

It is important that there is an emphasis on education, especially continuous learning; a recognition that the economic base of a community is likely to continually evolve so development efforts have to be an on-going task.

Effective long-term rural development policy will have to be supportive rather than leading. In addition, it is important that rural employment impacts be considered when making other types of rural policy. Longer-term policies must be less specific, however support for enhanced education is clearly a candidate, as it might be ensuring some minimal set of infrastructure is in place. Perhaps the most important factor could be ensuring that policy decisions do not have unintended negative consequences for rural areas.

In the new era, the future of the rural population will depend upon defining and developing industries that are competitive. In seeking government assistance, rural residents should press for development assistance rather than transfer payments.

Transition policies should be implemented that facilitate adjustment to a new economic structure, but are designed to terminate in a defined period of time, whether the adjustment is completed or not.

The Views of the Saskatchewan Chamber of Commerce

The Saskatchewan Chamber of Commerce recently released its report: "Action Saskatchewan: A Blueprint for 2005". The report outlined a number of themes or areas that need to be addressed if Saskatchewan's economy is to move forward.

Business Leadership and the Size of the Private Sector

The key to developing an economic strategy for Saskatchewan is the need for expansion of the province's tax base. The most important political issue facing the province today is the need to expand the private sector as a first step to regenerating provincial infrastructure, particularly in rural communities.

Most business leaders believe the government, especially the Government of Saskatchewan, is the catalyst for economic change and development. They place government at the centre of society, blamed for all the ills and the source of all solutions. Coupled with this view is the apparent underlying lack of confidence and reluctance to adopt new ways.

A direct reflection of the small private sector is the relatively small number of entrepreneurs in the province. Any desire to expand the tax base begins with a growing entrepreneurial class. These are the individuals who harness knowledge, capital, vision and initiative, which, in turn, result in job creation. In other words, everything begins with enterprise. This vision will be possible when the province boasts a culture that encourages start-ups, champion's entrepreneurial risk-taking and applauds economic achievement.

What is needed, therefore is a rebirth of the enterprise mentality that first established the province - when hundreds of thousands of people risked everything to leave their homes, travel across an ocean to an undeveloped land in search of a better life.

However, we currently lack the principal building blocks needed to create start-ups. Saskatchewan needs more entrepreneurs with the ability to translate an idea into a successful commercial venture capable of attracting capital and markets. Thus the business community must re-establish its identity before the process of business formation, job creation and then tax generation can occur.

Demographics and the Labour Force

Saskatchewan is currently experiencing out-migration, particularly among the 20 - 25 year old category with the exception of the First Nations population which is growing. At the same time we experience labour shortages that could be filled by individuals in the same demographic group. Based on current trends of participation in the workforce, the province has extremely limited capacity to meet increases in labour demand. Simply put, Saskatchewan's labour pool is virtually used up. Therefore, the challenge lies in providing a mechanism for keeping Saskatchewan graduates in the province.

Another concern is the gap between the business community's needs and the education system's ability to fill those needs. For example, there is a lack of emphasis on trades and technology programs in the school system. Even though the high school curriculum has an academic bias, designed to provide students with enough credit hours to qualify for university entrance, only one in four high school graduates actually goes onto university. Providing a wider variety of educational options in high school - particularly in trades and technology - should be on the agenda.

Discussions (through focus groups) with high school students suggest that attaching employment opportunities to educational options in earlier grades may have a bearing on graduate retention levels. The focus groups also revealed that many young people make the decision to leave the province upon graduation in their early teens. Concepts such as internships, co-operative education, workplace experience, entrepreneurship or other non-traditional education-employer links offer a promising mechanism for helping them establish their roots in a Saskatchewan enterprise before the opportunity to leave presents itself.

Rebuilding Rural Saskatchewan

There has been a sharp decline in the number of young working age people in rural communities as they seek employment opportunities elsewhere - either in the major cities or outside Saskatchewan.

Rural infrastructure decline has paralleled population decline and, should the province's citizens reach a consensus that rural regeneration is a priority, a significant reinvestment and re-population of rural communities will be required. Rebuilding rural Saskatchewan through a concerted policy of diversification and private sector growth would turn the discussion to one centred on expanding, not contracting, rural infrastructure.

Future Opportunities

a) Agriculture

It is time to move deeper into the value chain, to restructure the system from a supply-driven mentality to one predicated on identifying consumer demand and filling it in a timely manner with consistent supply and quality.

Finding mechanisms that will lead to more intensive forms of agriculture are a priority. Selecting crops that move top line revenues from a couple hundred dollars per acre to a thousand dollars or more per acre may be the most powerful economic tool we could conceive.

b) Aboriginal Participation

This segment of the population represents a significant opportunity. As the Western world begins to feel the effect of a retiring baby boom generation, Saskatchewan is uniquely positioned with a second baby boom population. Engaging them and ensuring they find their way into the workforce and business community in an effective manner is the challenge.

There must be improved communications between the business sector and the Aboriginal community, particularly in the area of human resource training and development. The successes in uranium, gaming and forestry industries were due in part to the training and development programs.

c) Start-ups

Underlying all the findings contained in this report is the paramount need for Saskatchewan to create a larger, more vibrant private sector.

Experience shows the most effective source of growth is expansion of existing enterprises. Fostering a culture that precipitates large numbers of new business start-ups is the second component of the plan. The third source of growth is attracting new businesses.

One shortfall to economic development often cited by the business community is a lack of investment or risk capital within the province but there is significant evidence pointing in the opposite direction.

d) External Image and Promotion

One recommendation for a first step that emerged from the Town Hall process, centered on capitalizing on the network of ex-patriots now living around the world. One estimate put the figure at 800,000 people who once called Saskatchewan home.

e) Tourism

Growth in this field is well documented but the potential, particularly in rural areas, remains significant. Major growth areas could include selling Saskatchewan's pristine environment, promoting Saskatchewan summers in the southern United States as a mirror image of Canadians going south in the winter and taking advantage of the Europeans interest in First Nations culture.

The Views of Jack Stabler and Rose Olfert

Jack Stabler and Rose Olfert recently completed a paper for the Prairie Farm Rehabilitation Administration (PFRA): "Developing The Prairie Rural Economy - Planning for Change". The paper is a research proposal to examine comprehensively how the prairie region can adapt to change. The first two sections of the paper provides a description of the current situation and a potential policy framework. The following is a summary of these two sections.

The Current Situation

There are a number of trends that are occurring on the prairies, these include the following:

- The rural economy is changing rapidly with rural communities experiencing various rates of growth and decline;
- Communities heavily dependent on grains and oilseeds are experiencing widespread decline in employment and population. New types of economic activity (primarily service-based) do not grow at a rate sufficient to offset the decline in agriculture.
- Communities with a much more diversified economic base are stable or growing;
- Farm families have grown increasily dependent on off-farm employment, very often in the public sectors, located primarily in the larger rural communities.
- Over large parts of the prairies, the rural population is highly integrated with urban centres, whether through employment or the purchasing of goods and services.

Economic Future of the Prairie Rural Economy

The paper suggests that any analysis of the future of the Prairie rural economy must recognize three realities:

- The future for grain production is not optimistic. Continued consolidation is likely to continue, which in areas heavily dependent on grain production means larger farms, fewer farmers, loss of support for rural businesses and the loss of public services.
- Additional diversification where possible will create additional employment, which help support rural communities, businesses and public services.
- Employment of rural dwellers in the larger rural communities contributes far more to the income of farmers (and non-farmers) than does net farm income. The future of farming on the Prairies and that of the entire rural economy is closely

tied to the economic viability of the Prairie region's larger communities.

Policy Framework

There is a need for a new approach to rural development policy because of the change in the agricultural environment. These changes include the loss of the rail transportation subsidies under the old Western Grain Transportation Act, "the Crow Benefit", and the lack of large-scale support for producers. As a result, there has been a continuing exit of smaller and mid-sized farms. Farms that do remain are dependent on the presence of off-farm employment opportunities within commuting distance of the farm population.

Due to the increasing interdependence between the farm and non-farm population, traditional sector approaches to rural development cannot properly address the concerns of all communities. Despite the need for a broader rural policy, traditional agriculture-based policies continue to dominate rural policy. The view that a healthy agriculture makes for a healthy rural economy is no longer true.

The paper suggests that there are two policy directions that can be taken with respect to rural development policy:

a) The Market Solution

If the current agricultural policies continue and only modest efforts are made in rural development, then a market driven solution will result. A market driven solution will likely result in only 10 to 15 thousand farms in Saskatchewan (at an average farm size of 5000 acres). To quote: "While these farms will be more efficient, the exit of 40 to 50 thousand farms will further reduce population densities". To further quote:

> ***"Because the presence of farm families helps support the public and private service and trade functions in rural communities, a smaller farm population would mean smaller markets. Fewer local trade and service demand thresholds would be satisfied and off-farm jobs would seriously decrease. It would become more difficult to recruit a local labour force for a potential new manufacturing plant as population densities thinned. Rural community decline would continue, and probably accelerate. The cost of this type of adjustment would be borne by individual farmers who sold their fixed assets at depreciated prices, by business people in small communities where profits declined (or businesses failed), and by provincial taxpayers as undepreciated infrastructure became redundant."***[8]

b) A Rural Development Approach

A second option would be the development of a comprehensive rural policy. In developing a rural policy, it must be recognized that rural development cannot be addressed through agricultural policies, although agricultural policy would have a role to play (mainly through stabilization policies) in agriculturally dependent areas.

The successful application of this approach suggests that understanding how rural economies function is a necessary perquisite for developing a policy framework.

For example, more information is needed "on the strengths and weaknesses of the network of rural communities, the type and degree of integration between rural and urban areas, the size and characteristics of the labour force, and the projection of inherent trends."

It is critical that the direction be set for developing a rural policy in the very near future. The significant deterioration in the grain economy and increasing pressure on farmers to exit the industry means that measures have to be acted upon quickly. The continuing loss of farm population and the resulting decline in population density would mean that the critical mass of people necessary to maintain a functioning rural economy would be lost.

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[8] Stabler, Jack and Rose Olfert, Developing the Rural Economy - Planning for Change, prepared for PFRA, no date, page 7.

Development Initiatives in Ireland

In the late 1980s, the Irish economy was in deep trouble with high unemployment, high inflation, high taxes and a high immigration rate especially amongst its young people. In response the Irish government initiated a number of steps to try to improve their economic performance. The subcommittee met with the Acting Irish Ambassador to discuss how Ireland had turned its economy around. (Section IV of the report describes the discussion with the Acting Irish Ambassador.)

The following section describes some of the Irish initiatives that the subcommittee thought would be most applicable for Saskatchewan.

Enterprise Ireland

Enterprise Ireland is a government agency that works with Irish businesses to help develop and strengthen Irish industry. The focus of these initiatives are on business start-ups. The following is a brief description of the programs as found on the Enterprise Ireland Internet site:

a) Development Advisory Service

Enterprise Ireland will assign a Development Adviser to each client company in manufacturing or internationally traded services. The Development Adviser acts as a primary point of contact giving access to the full range of Enterprise Ireland solutions in an efficient and effective way. The services are delivered as part of a structured development process. The services of the Development Advisor include:

- Helping to evaluate and develop the new business concept, including challenging and assisting in formulating the business plan;
- Providing both practical and financial assistance for a feasibility study leading to the business plan;
- Introducing the entrepreneur to potential business partners, investors and financial and legal advisors;
- Financial supports including management development, employment grants, capital grants and equity investment; and
- Access to the full range of Enterprise Ireland services such as: overseas offices, specialist technical expertise, market research resources, etc.

b) Mentor Network

The Mentor Network is geared towards a young or small to medium enterprise looking for an experienced business advisor. Enterprise Ireland maintains a countrywide panel of high calibre voluntary mentors, consisting mainly of retired or semi-retired managers across all areas of business. Enterprise Ireland will match them with the needs of companies seeking to grow. Mentors will confidentially provide strategic guidance and practical, reliable advice drawing on their wide experience gained in senior positions in industry.

The Mentor Network Enterprise Ireland also acts as a matching and introduction service between private investors, known as "Business Angels" and projects seeking equity. (Business Angels is a list of high net worth individuals, maintained by Enterprise Ireland, who wish to provide initial equity in different projects.)

c) Feasibility Studies: grant programs

The Feasibility Study Grant Programme helps businesses and individuals evaluate the viability of a new manufacturing or international services project. Grants may be available from Enterprise Ireland towards supporting feasibility studies such as investigating the viability of manufacturing a completely new product or process. Typical elements involved in carrying out a feasibility study include market research, cost analysis, financial projections, manufacturing process assessment, plant evaluation, raw material sourcing and prototyping. Negotiating with potential joint venture partners or obtaining a manufacturing licence may also be included.

Grants of up to 50% of the cost of the feasibility study may be available up to a maximum of £15,000 ($26,400 CAD) grant per study. Applications are considered on a case-by-case basis to assess the eligibility of the detailed proposal and associated costs. The grant amount is determined following this assessment. Individuals, groups or companies based in Ireland may be assisted under this programme.

d) Millennium Entrepreneur Fund

Jointly sponsored by Enterprise Ireland, L.M. Ericsson Ltd., Bank of Ireland, Mr. Neil McCann and the European Union, the Millennium Entrepreneur Fund is aimed at people who have:

- A record of achievement in the international business arena;
- Higher educational qualifications or equivalent training and experience;
- Exciting ideas for a new technology-based business, based on that experience;
- The drive and ambition to grow the business fast;
- Possible partners in mind for a strong entrepreneurial team; and
- Irish nationality, or a key Irish national on your team, and willing to return to Ireland. For those businesses that meet the qualifications, the Fund will provide:
- Seed Capital investment of up to £100,000 ($176,000 CAD);
- An experienced Company Mentor to work closely with the entrepreneur on key business aspects;
- A Patron Company (a successful Irish based company) to advise and counsel the entrepreneur; and
- An Enterprise Ireland Development Advisor to assist in all aspects of business development.

e) Fast Track Start Up Companies: support

This program is specifically targeted to meet the needs of high calibre, experienced managers, academics and entrepreneurs creating and building new companies likely to reach significant scale quickly with significant growth and export potential. Specialist executives employed by Enterprise Ireland work intensively with these companies and provide the following services:

- Multi-disciplinary development teams specialize in helping potential entrepreneurs develop their concepts into commercially viable business plans;
- The teams advise and assist in all aspects of the crucial start-up phase; and
- Continue to provide advice and support, as the new enterprise grows to its full potential.

This program is targeted to companies with the following attributes:

- Is in manufacturing or internationally traded services;
- Based on technological innovation or exploitable market niche opportunity;
- With credible projected sales of at least £0.75M ($1.32M CAD) and at least 10 jobs by Year 3;
- With longer term potential to significantly exceed these levels;
- With export potential; and
- Being established by experienced managers, academics or technical graduates.

City and County Enterprise Boards

Thirty-five City and Country Enterprise Boards were established in 1993 by the Irish Government to assist in the establishment and the development of small businesses (10 or less employees) through grants and soft management support at the City or County level. The Boards derive most of their funding from the European Union. An examination of a number of Enterprise Boards on the Internet, would suggest that the Boards provide grants for feasibility studies, the development of business plans and provides training and management development programs.

A SUMMARY OF MEETINGS OF INDIVIDUALS WITH THE SUB-COMMITTEE

During the course of the subcommittee's work, the subcommittee met with a number of individuals to discuss potential tools for economic development. The following is a summary of the meetings and post meeting discussions that took place.

November 9, 2000

Meeting with Bill Matlock

The subcommittee met with Bill Matlock, the Chair of the Great River Lakes Regional Development Authority and the Midsask Community Futures Development Corporation to hear his views on economic development. His views on economic development include:

- Saskatchewan is over governed and Saskatchewan needs larger entities to help with economic development;
- Need more local control and less interference from provincial and federal governments;
- A potential idea is for the province to give money to a local area and let them decide how to spend it (on education, health, municipal government etc) A pilot project could be done which would give money to a particular area for one year;
- Need less duplication and a more coordinated effort in order to improve the effectiveness of economic development programs. This means economic development programs must be done on a large area basis rather than on a small area basis. Two groups in the Outlook, Davidson and Central Butte Areas: the Mid-Sask Community Futures and the Great River Lakes Development Authority have merged their Boards in order to save on administration costs, reduce duplication and improve the co-ordination of programs; and
- Rural Saskatchewan is running out of time with respect to developing new economic activity to offset the decline in agriculture.

April 10, 2001

Meeting with Randy Beattie - Prairie Financial Management

The subcommittee met with Mr. Beattie who is a partner in a venture capital company. The company has been in business for 11 years and operates a number of funds. The discussion focussed on Venture Capital Investments and their funds, in particular the Crown Ventures Fund and the Saskatchewan Growth Fund that mainly invests (75% to 80% of their money) in rural Saskatchewan.

The Crown Ventures fund provides long-term equity (7 to 8 years) to companies with a work force of less than 300 people and where 25% of the payroll is generated in Saskatchewan. The fund invests in four areas: agri-value, oil and gas, manufacturing and information technology. The fund places equity, debt and sub-debt and hopes to generate a 20% minimum return on its investment. The fund does not generally take a majority position in a company, but looks to work with the company's management in providing skills that may be missing from the company's management team.

Mr. Beattie also provided his views as to the role of government in providing capital to companies. He felt that with respect to direct government investment, they should concentrate on ventures that are over the $20M to $25M range. For investments under this amount ($10M to $15M range), the government should partner with other investors, i.e. banks, venture capital etc. and provide capital to investment funds. (Over the long- term, the government share of capital should be limited to one third of the fund, however this may have to be higher in the start up stage.) The investment funds would then be managed by professional managers. As part of its investment strategy the government could set its own goals for investing and invest in those funds that meet these goals. This investment strategy would be similar to the successful investment fund in Alberta called Ventures West.

Mr. Beattie identified two benefits from this investment strategy. First, by employing professional managers, this removes government and (political interference) from direct involvement in investments. Second, it builds up the venture capital fund industry (human capital) in Saskatchewan.

Mr. Beattie also suggested that this strategy did not solve the problem of financing the $150K to $1M investments. Venture capital funds are not interested in these investments, as they require too much work relative to the amount of the investment.

In response to a question about returning to the Community Bond Program, he indicated that he did not prefer returning to this program as the government guarantee could result in less due diligence of investments with more weight given to the guarantee. He suggested that current tax credits for investment would provide the same benefits of stimulating investments.

The subcommittee felt that a proposal for professionally managed investment funds partially funded by government was a good way of leveraging funds for venture capital. The committee also felt that government money invested outside Saskatchewan could also benefit Saskatchewan depending on the type of investment.

Meeting with Paul Martin

The subcommittee met with Paul Martin a co-author of the Saskatchewan Chamber of Commerce Report: Action Saskatchewan: A Blueprint for 2005. His presentation focused on three themes: the demographic situation in Saskatchewan, the agriculture sector and the small private sector.

Demographic Situation

- Saskatchewan has a high dependency ratio, a lot of kids under 15 and lot folks over 65. The ratio is much higher in rural Saskatchewan;
- There is a large out migration of young adults in the 20 to 25 year age range, the majority whom go to Alberta;
- The aboriginal population is much younger than the provincial population, with a very large number of children under 15 years of age. They have the potential to be a large source of labour for the future work force;
- The challenges facing Saskatchewan include: how to keep young people in Saskatchewan, how to improve the education levels of the young native population and how to link up the young native population with employees.

Agriculture Situation

- Saskatchewan specializes in low value production and we process very little of what we do produce;
- We need to look at revenue per acre rather than production per acre;
- Saskatchewan, which has the lowest revenue per acre, has to increase revenue per acre;
- Livestock will be a key to raising revenue per acre;
- We need a strategy that drives revenue; and
- Part of the strategy is a change in attitude from the monoculture attitude to an intensification of agriculture attitude.

Small Private Sector

- Saskatchewan has a very small private sector and a very small tax base;
- Need small business development especially in rural Saskatchewan - we need to make rural Saskatchewan viable again;
- The place to start is in agriculture; and
- Two critical areas in this development is have farmers go to accrual accounting so they have a better way of evaluating their business, and the need to intensify their operations i.e. increase revenue per acre.

April 24, 2001

Meeting with Bob Hersche to Discuss the Community Net.

The subcommittee met with Bob Hersche, a government official with the Provincial Information Technology Office, to discuss the Community Net Program. The discussion began with a short review of the current status of high-speed Internet access in Saskatchewan. The major centres in Saskatchewan currently have high-speed Internet however, because of the cost, rural areas do not have access to this service. Due to the high cost and low and dispersed population, no private firm will likely supply service to rural areas.

In response the government is developing the Community Net model to deliver high- speed Internet service to rural Saskatchewan. Under this model, the public sector (schools, government offices, Health etc.) will be the anchor tenant for the system. This model allows the system to be built at a lower cost and provides a critical mass to advance the development of the infrastructure. It is estimated that it will take 2.5 years to complete this project.

Community Net will provide the anchor for SaskTel to explore the expansion of high-speed commercial offerings to an increasing number of communities. With the advent of Community Net, SaskTel anticipates it will be able to re-evaluate expansion plans on a yearly basis and continue to expand high-speed Internet in an economically feasible manner, ensuring that the majority of the Saskatchewan population can benefit from high speed Internet service over the next five years.

Bob suggested that the role for government in providing high-speed Internet access is to:

- provide access to the infrastructure;
- support business in the adoption of e-commerce;
- provide citizen skills development;
- creating the environment - what we can do with the internet; and
- leading by example - e-government.

The introduction of the Community Net will give rural areas equal access to services; enhance local and regional participation amongst its citizens and increased economic opportunities. The key question is what will communities do with the Internet once the infrastructure is in place. The major factors affecting the uptake of the Internet are income, skills and geography. The problem is that there are not enough people in rural Saskatchewan with the high tech skills to make use of the Internet. Mr. Hersche felt a provincial help desk would be quite useful in assisting rural residents in running their computers and using the Internet. The subcommittee agreed with Mr. Hersche and felt that the key issue for the uptake of the Internet in rural Saskatchewan would be enhancing computer knowledge and skills for rural residents.

Meeting with Michael Fix, Crown Investments Corporation (CIC)

Mr. Fix, Vice-President of Corporate Development at CIC, began the meeting by giving background information as to why it is often difficult for Saskatchewan businesses to attract venture capital. He categorized the factors behind this problem into two areas, real concerns and perception concerns. In the first area, venture capital wants to be close to their investments and Saskatchewan is a long distance away from existing sources of the venture capital. Second there is limited internal capacity because of the small venture capital industry.

With respect to perception problems, there is a negative attitude about Saskatchewan by outsiders and venture capital companies who don't believe they can make money here and/or that there aren't businesses to invest in. Saskatchewan needs to celebrate and communicate its business successes to assist in changing these perceptions.

Mr. Fix then outlined CIC's investment strategy. The main goal of the strategy is to increase private participation in the economy and have them take a major role in investing. To accomplish this, CIC is prepared to take a lead role to encourage private capital (up to one of third of a company's equity position). Secondly, the province would like to develop our own private sector venture capital industry, which would help the accessibility to capital issue and sell the province as a place to invest.

The entry point for CIC to invest is $5M. Although CIC's return expectations are commercial they are also dependent upon the risks associated with a specific investment. They currently have money in two private sector managed investment pools or funds. CIC is also considering investing in a venture management company. This company would invest in "idea" companies who have new technologies or are on the "cutting edge" of developing new intellectual properties. The venture management company would provide start up help in terms of arranging financing, developing business plans, securing patents or licenses etc. in return for an equity position in the start up operation.

With respect to investment in agriculture related ventures or primary agriculture, it is very difficult to attract equity from private sector investors for many of the same reasons identified above but also because many agri-based businesses do not provide a competitive rate of return that investors may find in other sectors of the economy. Also when equity capital is available many people in Saskatchewan do not want to give up an ownership position in their enterprise.

There was a discussion of the role of Saskatchewan Opportunities Corporation (SOCO) in providing capital. The subcommittee felt that SOCO financing was expensive and they needed to be more flexible in their payment terms. However, Mr. Fix also suggested that reducing expected returns on public investments would make it more difficult to build private sector venture capital capacity in the province.

May 10, 2001

Meeting with Donal Denham, Acting Irish Ambassador

The subcommittee met with the Acting Irish Ambassador to discuss the changes in the Irish economy and the steps Ireland took to turn their economy around. In the late 1980's the Irish economy was in deep trouble with high unemployment, high inflation, high taxes and a high immigration rate especially amongst its young people. The Irish government took a number of steps to try to improve their economic performance. These steps included:

- The formation of a social partnership between employers, unions and government (the volunteer sector was added later), which developed a consensus as to what direction, the country should take. The partnership developed a framework for both income and non-income areas of the economy, i.e. investment, infrastructure, health care and childcare and others. The government developed a set of priorities and targets and concentrated their resources on these areas. These areas included education, tourism, high tech, financial services and others;
- Setting up local development agencies called Local County Level Boards which would focus its efforts on developing local industries in rural areas;
- Reduced personal and corporate taxes as a way of attracting foreign investment;
- Developed an education strategy, which included free university education; and
- Established Enterprise Ireland a government agency. This agency is a one stop shop for Irish owned businesses involved in investment and export promotion to deal with, i.e. an interface between business and government. It also provides marketing advice for firms; especially start ups and works with businesses to do benchmarking studies.

During this period Ireland was also receiving significant transfers from the European Union, which was used to build up their infrastructure. Recently these transfers have been reduced.

The subcommittee discussed the Irish experience and its relevance to Saskatchewan. The subcommittee recognized that Ireland was a small-centralized country with a very centralized government structure and weak local government. In contrast, Saskatchewan has a large geographical area, a small dispersed population with strong local government. Thus, decision-making is more problematic in Saskatchewan. Despite these differences the subcommittee felt that there were a number of Irish initiatives that may be applicable to Saskatchewan. These included:

- The need for businesses to deal with one government agency, i.e. a single point of entry when dealing with government;
- A need for a targeted approach, Saskatchewan needs to target certain sectors. As part of the process of setting targets, it is important to get buy-in from all sectors of Saskatchewan society;
- The need to concentrate on local initiatives;
- The need for a group of consultants or experts to help start-up businesses with marketing and other problems; and
- The development of a stronger educational system to ensure that Saskatchewan residents have the necessary skills.

June 20, 2001

Meeting with Rob Greenwood

Dr. Greenwood met with the subcommittee to discuss the restructuring of economic development delivery in Newfoundland. Rob is presently the Vice-President of Corporate Development for the Information Services Corporation of Saskatchewan. Prior to that he led the economic development strategy initiative for the Government of Saskatchewan. Before moving to Saskatchewan, he led the economic development restructuring initiative for the Government of Newfoundland.

The starting point in Newfoundland was similar to Saskatchewan - there was a broad range of groups doing economic development. These included 58 Rural Development Associations (RDAs) and the Newfoundland/Labrador Rural Development Council (NLRDC), 17 Community Futures groups, 15 Business Development Centres, and others. Overall, there was poor cooperation between groups, overlapping mandates and unsatisfactory results. A task force was established to sort out and make recommendations. The end result, through an inclusive process, was the dividing of Newfoundland into 20 economic zones and establishment of Regional Economic Development Boards (REDB) for each zone. RDAs and Community Futures groups were discontinued as REDBs took over their responsibility for strategic planning and community development. RDAs no longer received core operational support but could apply for project funding consistent with the zonal strategic economic plan developed by the REDB. The Government of Canada and the Government of Newfoundland signed a Strategic Regional Development Agreement (SRDA) to fund the core operational support for REDBs and to support projects and initiatives agreed to under performance contracts between the REDBs and the Government of Canada and the Government of Newfoundland. Other federal and provincial funds were to be guided by the performance contracts as well. Performance contracts were based on the zonal strategic economic plans.

With respect to an economic development strategy for rural Saskatchewan, Mr. Greenwood suggested the following:

- The importance of economic development being grounded at the local level.
- Government of Canada and Government of Saskatchewan buy-in and commitment is necessary if you want to be successful because there are so many roadblocks.
- ACRE has the potential to provide more direction for developing an economic strategy for Saskatchewan.
- There needs to be more coordination between federally supported Community Futures and the provincially supported Regional Economic Development Authorities.
- That small-scale manufacturing should be the #1 priority for diversification in rural Saskatchewan.
- That any ACRE recommendation related to zoning and economic development should say, "need to develop a process..." versus being too specific.
- The process should focus on economic development versus municipal amalgamation. He gave the example of Quebec where some municipal functions were transferred over time if parties wanted to do so.
- Can't have a split between urban and rural for successful economic development, therefore how Regina and Saskatoon fit in is important.

CONCLUSIONS AND RECOMMENDATIONS

The subcommittee has developed a series of recommendations based on information they obtained through a literature review, meetings with individuals and a review of written submissions. The subcommittee believes the recommendations will enhance the development of the small business sector in rural Saskatchewan. As mentioned in the introduction, it is critical that the small business sector more fully develop in rural Saskatchewan to offset the decline in employment in the primary agriculture, especially in the crops sector. The further development of a profitable small business sector will enhance employment opportunities in rural Saskatchewan, which will mean more opportunities for people to remain in rural Saskatchewan.

Recommendation on Regional Planning and Coordination

Background

This subcommittee feels that Saskatchewan's potential for rural economic development would greatly improve if both economic development agencies and municipal governments moved towards increased coordination.

Municipal Governments

Rural Saskatchewan is characterized by a large number of government entities, which are very local in nature. There are over 1000 municipal units in Saskatchewan (836 incorporated municipalities, 159 organized hamlets and 11 northern settlements). Saskatchewan has the second highest number of municipalities and the lowest average population per municipality in Canada. When compared to our neighbouring provinces, our average population per municipality is significantly lower at 1,225 persons compared to 5,665 in Manitoba and 7,856 in Alberta.

In its report, the Task Force on Municipal Legislative Renewal indicated that:

> "Saskatchewan has one of the most fragmented municipal systems in Canada. This is particularly true of the number, and types of municipalities, but also in terms of municipal functions, finances and the jurisdiction of municipalities.
>
> The system is also very diverse or differentiated rather than uniform or standardized, particularly in the sizes, functions, and finances of municipalities."[9]

From the subcommittee's perspective, the issue is whether the municipal government structure and the overlapping of jurisdictional boundaries between local and regional authorities have had and are having an impact on economic development.

Determining whether the current governance structure is having an impact on economic development in rural Saskatchewan is difficult to prove. For example, it is hard to get actual data or evidence to suggest that because of Saskatchewan's governance structure, 500 businesses or 2000 jobs have not been created. The difficulty in quantifying these impacts, is similar to trying to quantify the impact of lower taxes or less regulation on economic development.

Despite the difficulty in providing concrete evidence on this issue, the subcommittee is quite confident that the current governance structure cannot be positive for economic development. The following illustrations point to the need for a more coordinated approach to economic development:

1. Sharing the costs and benefits of economic development: intensive livestock operations.

Many rural municipalities (RM) in Saskatchewan are reluctant to allow the establishment of intensive livestock operations. From an RM's perspective the establishment of an intensive livestock operation in the RM brings many extra costs (such as increased road costs and vocal opposition from local rate payers concerned about odour), but generates minimal tax revenues.[10]

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[9] Government of Saskatchewan, The Task Force on Municipal Legislative Renewal: Summary of Interim Report, February 2000, page 1.

[10] Some large hog operators are paying extra monies to RM's to cover off some of the increased costs, in order to get approval to establish their operations.

In contrast, the neighbouring towns and villages receive the benefits, as employees of the operations would tend to live and generate economic activity in neighbouring towns and villages. The towns and villages face little or no increased costs. One of the benefits of more coordination between the RM and the neighbouring towns and villages, is that ratepayers in all of the jurisdictions would share both the costs and benefits of any new intensive livestock operation.

2. Sharing the costs and benefits of economic development: High Throughput (HTP) Elevators.

The consolidation of the grain handling system has meant that large HTP elevators have replaced the local elevator. This change now means that farmers are travelling much further to haul their grain, which is causing extra wear and tear on both municipal and provincial roads.

The establishment of HTP elevators has resulted in an unequal distribution of costs and benefits between neighbouring RM's.[11] In the RM where the HTP elevator is located, the local RM incurs the extra road costs, but also receives the benefit of the increased property tax. Because truck hauls are much longer now, neighbouring RM's also incur extra road costs through increased truck traffic, but receive no benefits.

Similar to the intensive livestock example, more coordination of several local RM's could result in the sharing of the costs and benefits of elevator consolidation.

3. Spreading the costs of infrastructure over a larger population base.

The decline in the rural population means that rebuilding or maintaining locally controlled infrastructure such as water and sewage, and garbage disposal is becoming a major cost issue with many small towns and villages. Many of these towns and villages do not have the resources to maintain or upgrade this type of infrastructure. Larger political units and/or more cooperation between different towns and villages would allow the cost of infrastructure to be spread over a larger population base.

For example, if ten towns and villages in an area need a water treatment facility, it does not make economic sense to build ten facilities. It likely makes more sense to build one treatment facility and pipe the treated water to all ten communities. To accomplish this, means more cooperation or larger governance units. This same example can be applied to garbage disposal, where regional garbage dumps may make more sense than local garbage dumps.

4. Different regulations across jurisdictional boundaries.

The oil industry has identified inconsistent rules across municipal boundaries as a constraint to the industry in Saskatchewan. For example, "the transportation of a drilling rig to a single site may be subject to a number of different road haul agreements"[12] The concern expressed by the oil industry is likely to be a problem for other industries that need to travel across several RM's as part of their business.

The type of problem encountered by the oil industry is not a positive message for those who wish to do business in Saskatchewan. The subcommittee believes that more coordination between different RM's with respect to regulations needs to be acted upon in order reduce the cost and hassle of doing business in rural Saskatchewan.

Economic Development Agencies

There are a number of organizations, federal, provincial and municipal that operate at a more regional level that impact economic development. Many of these organizations often overlap each other.

In presentations to the subcommittee some key programs and services were mentioned on a regular basis; i.e., Regional Economic Development Authority (REDA), Community Futures Development Corporation (CFDC), Farm Credit Corporation, and the Canada-Saskatchewan Business Service Centre, to name a few. The lack of co-ordination between the various levels of government has been identified as a hindrance to economic development (see appendix III for maps of various agencies involved in economic development). Over one-third of Saskatchewan rural residents believe that all "levels of government should be involved in helping to find solutions", and "that governments, organizations and individuals need to act collaboratively and in a coordinating fashion in addressing rural issues and challenges".[13]

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[11] The old system of local elevators, mostly located in towns and villages also caused an uneven sharing of costs and benefits between urban municipalities and RM's. The urban municipalities received all of the property tax revenue and some extra road costs while the RM's incurred road costs but no property tax revenue.

[12] Resource Sector Subcommittee of the Action Committee on the Rural Economy (ACRE): Recommendations for Consideration by the Committee of the Whole ACRE, March 29, 2001, page 15.

The CFDC program is a federally funded initiative that takes a grass roots approach to community and economic development with a primary focus on job creation in areas outside major urban centres. They are non-profit corporations run by a volunteer board of directors, supported by salaried staff. The mandate of the corporations is community and business development. Each CFDC delivers a variety of services ranging from local strategic economic planning, technical and advisory services to businesses, loans to small and medium-sized businesses, self-employment assistance programs and employment programs that target Canadian young entrepreneurs. Saskatchewan is served by 14 CFDCs.

Regional Economic Development Authorities (REDAs) were introduced in Saskatchewan's Partnership for Renewal economic strategy in 1992 as a key component of Saskatchewan's continued economic growth. REDAs are a "grass roots" approach to economic development that assist communities and organizations to join together in a co-operative and co-ordinated way to make plans for economic development in their region. REDAs allow people and communities to pool their resources and build on their strengths to support the creation of wealth and jobs, and to attract new investment. The Government of Saskatchewan provides cost-shared funds to help REDAs form. Cost-shared funding is also available to help established REDAs build their service capacity and form partnerships with Government of Saskatchewan departments and the co-operative and private sectors. There are currently 28 REDAs in the province

The Government has outlined plans to make REDAs the focal point for economic development in their regions, including:

- providing cost-shared financial assistance to help them operate;
- providing them with a package of professional and business development services and technical expertise; and
- examining government support programs for business and, where appropriate, redesigning them so they can be delivered by REDAs.

The same plans also apply to Community-based Regional Economic Development Organizations (CREDOs), which are located in northern Saskatchewan.

It is the subcommittee's view that opportunities exist for greater cooperation amongst CFDCs and REDAs in order to provide more coordinated service delivery to rural Saskatchewan. It is also the view of the subcommittee that these existing organizations provide the basis for which a province-wide mentoring program could be established (see the recommendation on business start-ups). As services are provided to individual entrepreneurs and small and medium-size business, CFDCs and REDAs would be able to draw financial resources from a central pool of program funding, thus providing the needed service in rural Saskatchewan and contributing to the sustainability of these important organizations.

Regional Parks Program

The Regional Parks Program was a voluntary program which encouraged 2 or more municipalities to plan, build and operate a recreation area which served the combined needs of their rate payers. This program was cost shared by the local governments and the provincial government in terms of capital and operating expenditures. Through this program, not only were a number of outdoor recreation facilities developed, but eliminated the duplication of facilities and eliminated some of the historic barriers to cooperation between local governments.

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[13] Government of Canada, Rural Canadians Speak Out - Final Report on the Analysis of Input Received from the 1998 Canadian "Rural Dialogue", Volume I: Technical Report, pages 106-7.

Recommendation

That the Government of Saskatchewan initiate a process to enhance coordination of rural economic development activities between federal, provincial and municipal governments to ensure greater effectiveness, efficiencies and accountability.

a) As part of this process, it is recommended that the province establish a voluntary program that encourages municipalities in a region to cooperate in a Reeves-mayor's council similar to that initiated under the Regional Parks Program. For example, under this program, the council could qualify for assistance (financial and technical) to establish a coordinating office and coordinating opportunities fund. Criteria could be as follows:

6. A minimum of 5 to 10 municipalities (urban and/or rural);

7. Coordination of standardization of weight limits, environmental controls, zoning, etc;

8. Cooperation on infrastructure of waste management, water inventory and the availability of their resource;

9. Cooperation on (housing, office space, and warehouse) inventories; and

10. Standardization of tax structures and policies that affect the tax structure.

b) It is also recommended that the Government of Saskatchewan along with the Government of Canada examine the concept of developing co-terminus boundaries as a means to create a more conducive and comprehensive environment for their service delivery and rural economic development planning.

Recommendation on Business Start-ups

Background

Starting a business and maintaining a profitable business over the long term is a difficult task. Figures from the United States would suggest that two out of three businesses that start up, no longer exist after five years. (The figures for Canada are likely to be quite similar.) A significant number of these businesses have failed, but others may have been shut down for other reasons.[14] In order to develop a thriving small business sector in rural Saskatchewan, the failure rate for small businesses needs to be reduced, especially during the crucial start-up phase.

The subcommittee believes that there are many budding entrepreneurs in rural Saskatchewan who have a lot of good ideas and who wish to start their own businesses. The subcommittee also recognizes that having a good idea does not automatically mean the creation of a successful small business. There are many steps and roadblocks that must be overcome to transform an idea into a thriving enterprise.

The subcommittee believes that the success rate for business start-ups could be enhanced if entrepreneurs received financial assistance (for feasibility studies and business plans) and professional and managerial advise from experienced business managers, especially during the crucial first year of operation.

The Government of Ireland has recognized the importance of assisting businesses especially during the start-up phase and has implemented a number of programs to assist those that are interested in starting a business. These programs include:

- Development Advisory Service - an advisor is assigned to a client to assist in many aspects of starting a business such as developing a business plan, providing business advice and acting as contact person for accessing government programs.

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[14] Discussion with Van Isman, Saskatchewan Department of Economic and Cooperative Development August 2001.

- Mentor Network - a program that matches entrepreneurs starting a business with mentors who have wide experience in business. The mentors are usually retired or semi-retired and provide help to starting and expanding businesses on a voluntary basis.
- Feasibility grants - grants are available to individuals, groups or companies to help fund feasibility studies.
- Millennium Entrepreneur Fund - provides seed capital and human resources such as mentors and development advisors. These advisors work as a team to help entrepreneurs with all key business aspects.
- Support for Fast Start Up Companies - provides support to businesses that may reach significant scale quickly, with significant growth potential through a multi-disciplinary development teams. These teams work with the business from the start-up phrase until it reaches its potential.

In many of the presentations to the Committee, individuals and organizations expressed the need for an effective mentoring program for new and existing entrepreneurs. The Irish experience has shown that a coordinated approach to mentoring, from the genesis of an idea, through the business development phase and onto implementation and delivery can greatly increase the probability of success. Mentoring programs already exist in some CFDCs; for example, Northwest CFDC and Sagehill CFDC. In addition, Meridian CFDC has developed a board game for students to learn about entrepreneurship (Lemon-aid).

Recommendation

It is recommended that the Government of Saskatchewan carry out a thorough review of the programs implemented in Ireland to assist in the development of business startups. The focus of the review would be to determine whether the Irish programs would be applicable for Saskatchewan. If the programs are applicable, it is recommended that the province implement similar programs in Saskatchewan.

Recommendation on Immigration

Background

There is a concern that Canada's immigration policy tends to focus on bringing in highly skilled individuals who wish to live and work in large urban areas like Toronto and Vancouver. In contrast, there is little effort to attract individuals with a more agricultural and rural background who would wish to settle in the rural areas of Saskatchewan and smaller urban centres. For example, in Saskatchewan there is a shortage of workers in the pork, beef feedlot, meat processing and other value-added industries. (See below for some statistical information on immigration.)

Under the Constitution, immigration is shared between the federal government and the provinces, with federal legislation prevailing. The Immigration Act requires consultations with the provinces on the number of immigrants and on settlement measures. In addition, the Act provides for federal-provincial agreements on immigration policies and programs. The Act allows the federal Minister to enter into agreements with the provinces to facilitate the coordination and implementation of immigration policies and programs.

In 1998, the Government of Canada signed a five-year agreement with the Government of Saskatchewan. As part of the agreement, the province was allowed to nominate up to 150 individuals (over a two year period) for immigration based on requirements determined by the province. The program is called the Provincial Nominee Program (PNP).

Nominees are those individuals who possess skills that are in short supply in Saskatchewan or could bring significant benefit to the local economy. The Government of Canada continues to be responsible for selecting candidates, based on nominations by the Government of Saskatchewan. Since its inception, the federal government has approved all of the nominations put forward by Saskatchewan. Originally the PNP was a two-year pilot project, however it has been extended for a year.

There has been some use of PNP since its inception (approximately 40 nominees over the two year period), however some believe that the program has to be marketed more aggressively. The province would like to become more aggressive in its immigration policy and is currently developing recommendations to enhance the program. Saskatchewan is considering broadening the scope of skills that the province may want to use for nominating new individuals. The province held 12 public meetings with stakeholders during September 2000, to seek their input into the review.

Recent news stories indicate that many European farmers are looking at Saskatchewan and the prairie region as an opportunity to relocate their farming operations. They feel that the opportunities in the prairie region for farming are much better than those in Europe.

Encouraging farm families to relocate to rural Saskatchewan would provide the following benefits:

- New entrepreneurial farmers would enter the industry, bringing new ideas and new capital to the industry. New immigrant families would revitalize rural communities where they settle.
- It would allow Saskatchewan farmers near retirement or those wishing to exit to find potential buyers.
- It may result in expanding rural populations, especially if farms are sold to new entrants rather than being sold to expanding neighbours.
- The influx of new capital and new people would have a positive economic impact for the province.

Statistical Information on Immigration

Table 1: Immigration to Saskatchewan and Canada

Year (July 1 to June 30)	Immigration to Saskatchewan	Immigration to Canada	Saskatchewan Population as a % of Canadian Pop.	Saskatchewan Immigration as a % of Canadian Immigration
1991/1992	2,518	241,810	3.58%	1.04%
1992/1993	2,561	265,405	3.54%	0.96%
1993/1994	2,281	234,457	3.51%	0.97%
1994/1995	2,182	220,123	3.48%	0.99%
1995/1996	1,810	216,988	3.46%	0.83%
1996/1997	1,779	224,881	3.44%	0.79%
1997/1998	1,615	194,451	3.41%	0.83%
1998/1999	1,748	173,011	3.39%	1.01%

Source: Statistics Canada, Annual Demographic Statistics 91-213, 1999.

Recommendation

This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: "That the Government of Saskatchewan promote immigration of families and extended families and that the obstacles for professions such as teachers and nurses be eliminated, and that farmers and agriculture workers be considered as a priority and that potential partnerships be developed with First Nations for the utilization of labour and Treaty Lands as well as provincial farm lands."

Recommendation on Accessing Capital

Background

During the course of the subcommittee's work, the lack of a venture capital industry in Saskatchewan and its impact on economic development in Saskatchewan became a high priority for the subcommittee. The subcommittee believes that potential economic opportunities, especially high-risk start-ups that may provide large economic benefits in the future, are being missed by the lack of start up capital.

In many parts of North America, venture capital funds provide the financing for start-up enterprises as traditional sources of capital find these investments too risky. However, in its discussions with those involved in the industry, the subcommittee heard that the venture capital industry was very small and was struggling to increase its presence in Saskatchewan (See the summary of presentations by Randy Beattie and Michael Fix in Section IV.)

The subcommittee recognized that the Government of Saskatchewan would have to play a significant role, at least during the initial start-up phase, in order for the venture capital industry to fully develop in Saskatchewan. Without provincial money, the industry will simply not develop. In developing its recommendation on the venture capital fund, the subcommittee believed that a number of principles needed to be followed:

- The venture capital fund needs to be managed by professional managers who possess the necessary expertise;
- If public money is to be part of the venture capital fund, the fund must operate at arms-length from government; and
- Any public investment in the venture capital fund must be invested in Saskatchewan companies.

Many small business entrepreneurs lack the necessary capital to get sound business ideas off the ground. Saskatchewan has a large amount of money sitting in savings accounts that could be accessed to finance these enterprises. Unfortunately our saving mentality and adversity to risk dictates that this pool of potential investment money is tucked away in very safe investments.

In order to entice this money out of these safe investments additional incentives are needed for persons to move their funds from safe secure investments into higher risk, higher return investments. The Community Bond program was such a tool but experience has told us that fully guaranteed investments can create an atmosphere whereby investment opportunities are not as closely scrutinized by investors as those investments that are not fully guaranteed. One possible solution could be the creation of a tax credit for investment into small and medium size enterprises (under 100 employees).

Recommendation

This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: "That the Government of Saskatchewan dedicate a pool of financial resources to create a venture capital fund that can be accessed by professional financial management firms to leverage private capital. Such a fund will be arms-length from government, managed by a financial management firm and utilize a transparent formula designed to ensure that venture capital funds utilizing public investment are required to invest in Saskatchewan companies, employing less than 300 people and having 25 percent of their paid workforce headquartered in Saskatchewan based on the ratio of public and private capital in the fund. The amount of money invested in Saskatchewan ventures would be based on the percentage of government funds in the total venture capital fund."

For example, if there is a $25 M agri-value venture capital fund of which 70% is public investment and 30% is private, the fund will be required to have 70% of its investments in Saskatchewan ventures.

That senior levels of Government examine the feasibility of creating a program aimed at leveraging private capital for investment in small ventures.

Recommendation on Business Education in The Classroom

Background

Everyday we take another step into the future.

We live in the millennium of change. Our reserved Saskatchewan pride makes us sometimes hesitant to showcase our immense talents and resourcefulness.

Now, the door is open to growth and innovation.

From primary to university level, Saskatchewan schools lead the way in the educational superhighway with one exception: Business Entrepreneurial Courses.

Our long-term economic growth depends on our youth. Strategies for implementation of business curricula are critical for providing youth with an alternative to traditional choices. Instead of a student pondering, "what job will I have in the future" the shift in thinking out of the box to "what business can I create".

The point is that many Saskatchewan students are not taught basic skills that would have them think of the entrepreneurial alternative. In many cases these same principles, such as credit, banking and business relationships, transcend to our personal lives. Many exciting ideas have originated in all size communities, which may sometimes lead to growth and/or revitalization created right in their very community.

In summary, our Saskatchewan schools can plant the seed for a bumper crop harvest of youthful ideas that can set our province onto a strong economic future. Strong ties can be created with the education and business community to develop this long-term economic growth strategy.

Recommendation

That the Department of Education, Department of Economic and Co-operative Development, the Saskatchewan Chamber of Commerce, the Saskatchewan Teacher's Federation and Federation of Saskatchewan Indian Nations (FSIN), among others, work together to develop a curriculum component for the primary and secondary system that is dedicated to business/ entrepreneurship education.

Recommendation on Broadband Services

Background

While citizens in rural and remote areas have similar needs to those of urban areas, they are disadvantaged by a number of unique challenges, namely:

- Distance from and access to markets and services and associated higher costs which can be a disincentive to new business growth;
- Geographical remoteness, sometimes implying severe physical conditions and difficulties of access to transportation;
- Low population density implying a lower taxation base to support essential services, difficulty in attracting private investment to the market size, and the lack of adequate and skilled labour pool; and
- Reliance on seasonal/cyclical industries vulnerable to the market shocks of commodity prices and trade restrictions in the global economy.

Access issues, whether related to markets or services, can be overcome through technology. High-speed connectivity (broadband)[15] is a critical tool, which will allow rural and remote communities to access services such as telehealth, distance learning and electronic commerce. These technology driven applications will not only help to improve the quality of life of rural and remote Canadians and their contributions to Canada as a nation, but help those communities to become more sustainable and competitive. Broadband access is as critical as water and highway infrastructures to attract investments and business development in rural and remote communities.

It is imperative that governments do not inadvertently create barriers that would inhibit rural and remote communities from taking steps to manage their future. To date, rural and remote Canada are not benefiting at the same rate from new knowledge-based economy jobs and from the power of the Internet as a tool of social and economic development. As technology advances at an ever-increasing speed, rural and remote Canada is already slipping further behind in its access to the Internet. For example, whereas the percentage of urban households connected to the Internet increased from 30% to 47% from 1997-1999, rural and remote connectivity increased from 20% to 35% in the same period.

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[15] For the purposes of this report, high-speed connectivity (broadband) includes wire and wireless services.

In December 2000 there were only eight communities in Saskatchewan with high-speed Internet service. Through the *Community Net* initiative, within three years, broadband high-speed Internet access will be available in more than 350 communities throughout Saskatchewan. The majority of the communities to be connected are in rural and remote regions of the province. The potential social and economic impact of *Community Net* is enormous. *Community Net* will enable Saskatchewan people to compete and thrive in the new knowledge-based, global economy by:

- Assisting students in all grades and in all types of learning environments, from those in classrooms in rural and remote schools, to students in larger urban classrooms.
- Giving students and teachers greater access to learning resources and increased research capabilities, particularly in schools in smaller communities that normally would not have the ability to provide the same learning experiences that students in urban centres enjoy.
- Assisting teachers, especially in rural and remote areas, to meet the growing demand to provide instruction across an increasingly wider range of courses of study.
- Advancing post-secondary training in rural and remote areas, and helping retain students, graduates and faculty for a knowledge-based society.
- Enhancing education and training in First Nations communities.
- Facilitating the development of on-line courses, expansion of distance education and other new learning methods.
- Permitting health providers in rural and remote areas to consult and share information with their urban counterparts faster and easier.
- Allowing smaller health centres to better utilize the new generation of medical applications. For example, new methods of communicating health information, including real-time ultrasound, a comprehensive pharmaceutical information network, real-time health records transfer, telehealth learning and telepsychiatry will provide more effective delivery of health care, thereby reducing costs.
- Advancing the work of the Saskatchewan Health Information Network in developing a province-wide telehealth network.
- Enabling government departments and agencies to offer a wide range of on-line service options to people across the province.
- Reducing the costs of administering programs.

In addition to its public sector benefits, Community Net has the potential to allow small businesses to develop e-business options that are not impacted by distances and location. The private sector is currently expanding high-speed access to the Internet in many regions. Such access may circle the globe but for small rural and remote communities it is the last mile that connects community facilities (schools, health care centres, libraries and other public institutions), businesses and homes that is the cost most difficult to bear.

With the public sector acting as an anchor tenant, the province's Crown telecommunications supplier, SaskTel, will now be able to reassess its high-speed Internet service strategy for small communities. This will be done on a business case-by-business case basis. Only through a co-operative effort between provincial agencies and the federal government is it possible to build the critical mass necessary to develop the infrastructure needs of rural and remote Saskatchewan.

Saskatchewan becomes one of the few jurisdictions in North America to develop such a comprehensive high-speed network.

The recommendations announced in June 2001, from the federally appointed National Broadband Task Force reinforces the importance of expanding broadband access to rural and remote Canada. As the Government of Canada develops its response to those recommendations, it will be important for the

Government of Saskatchewan to coordinate its efforts with those of the Government of Canada.

As broadband services are implemented throughout Saskatchewan, it will be critical that all citizens have access to the necessary training to enable them to fully understand the capability of this new technology.

Recommendation

That the Government of Saskatchewan coordinate its Community Net initiative with any future federal initiatives that may be developed in response to the recommendations from the National Broadband Task Force.

That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most efficient provision of health care services in rural and remote Saskatchewan.

That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most effective provision of educational services in rural and remote Saskatchewan.

That the Government of Saskatchewan create and implement an education and training program that enables rural and remote residents and businesses access to training in order to fully understand and utilize computer and Internet services provided through Community Net.

That the Government of Saskatchewan provides appropriate funding for help desk services for rural and remote Internet and computer users.

Recommendation on Attitude

Background

A number of commentators have commented on the negative attitude that prevails in Saskatchewan towards the province and successful entrepreneurs. The negative attitude that has developed in Saskatchewan is in sharp contrast to the optimism that prevailed in Saskatchewan from the early 1900's to the start of the Depression. During this time, Saskatchewan was the place to be in Canada with endless opportunities for entrepreneurs and others seeking their fortune.

The onset of the Depression and the decade long drought beginning in 1929, not only had a large economic impact but a huge impact on the psyche of Saskatchewan residents. The severe economic conditions changed people's attitude towards risk taking and the role of government in society. Those who endured the Depression of the 1930's passed these attitudes and beliefs on to their descendents and these attitudes continue to persist to this day. One can make a strong argument that Saskatchewan has never recovered from the 1930's Depression.

The negative attitude that prevails in Saskatchewan can be split into two levels: attitude at the micro level and attitude at the broad provincial level.

Attitude at the Micro Level

Generally, there seems to be the attitude in Saskatchewan that any successful person should not get ahead of anyone else. If one tries to be successful, for example in a business, this creates jealously amongst his/her neighbours or peers. Rather than celebrating success, we try to down play it, but if a business fails we have the attitude of, "I told you it wouldn't work". In essence, as a society we do not celebrate success, but highlight failure.

Attitude at the Broad Level

The negativity at the personal level carries over to the broad provincial level. Many people view Saskatchewan as a dead end with no future and a terrible place to be. There is the attitude "Anyplace is better than Saskatchewan".

The negative attitude about Saskatchewan is compounded by the problem of living next door to Alberta. Saskatchewan residents have the tendency to always compare ourselves to Alberta, a much richer and more entrepreneurial province. A common theme is "why can't we be like Alberta". However, very few people compare us to Manitoba, a province that is much closer to us in terms of population and wealth.

Another feature of Saskatchewan is the view that we cannot start a business without some kind of government support, and if the business fails, it's the government's fault. This attitude was a major theme in the Saskatchewan Chamber of Commerce Report, Action Saskatchewan: A Blueprint for 2005.

The negative attitude that prevails in Saskatchewan is accentuated by the media, which highlights negative stories, and down plays positive stories. For example, when 30 farmers occupied the Legislative Building during the winter of 2000, the media maintained a constant and high profile presence. In contrast, during this same time period there was little or no media coverage of a soil conservation conference in Regina, attended by 1,400 farmers.

If Saskatchewan is going to redevelop the spirit that prevailed in Saskatchewan prior to 1929, the residents of the province must develop a more positive attitude towards the province and the ability to see the province as a land of opportunity. To accomplish this goal, leadership will be needed from major provincial organizations in the province and the province's media.

Recommendation

That all provincial associations/organizations, such as the Saskatchewan Chamber of Commerce, Saskatchewan Association of Rural Municipalities (SARM), Saskatchewan Urban Municipalities Association (SUMA), Federation of Saskatchewan Indian Nations (FSIN), all media etc., jointly develop and commit to an action plan to build positive attitudes and promote the attributes of rural Saskatchewan.

Recommendation on Rural Housing

Background

One of the many problems in rural Saskatchewan is the mismatch between housing and the availability of employment, i.e. "where there is work there are no people and where there are people there is no work". People's readiness to move to take up new employment opportunities depends in part on the availability of housing. In order to encourage economic development in rural Saskatchewan, the availability of housing will be a high priority.

One possible source of housing in rural Saskatchewan is using or making better use of houses owned by Sask. Housing. The subcommittee is of the view that some of the rural housing owned by Sask. Housing is under utilized.

Recommendation

That the Government of Saskatchewan develop an Internet based central cataloguing system of available Sask. Housing units for rent or purchase in rural Saskatchewan.

Recommendation on Leadership

Background

As part of the process for developing the Partnership for Prosperity Document, the province held consultations with Saskatchewan residents during 1999 and 2000. A common thread that runs throughout consultations and dialogue with rural citizens is the need for "leaders". For example, Chuck Thompson from Swift Current said:

> "....*When our leaders articulate their vision, and can identify clear steps to achieve that vision, the people will respond.*"[16]

This begs the question: "Who are the leaders?" It is the subcommittee's view that the leaders must come from the community and that they, along with the citizens of rural Saskatchewan must articulate the vision. Indeed, "the people" has been identified as the key strength to rural Saskatchewan. "Sense of community" is a close second.[17]

However, at the same time "lack of strong community leadership" is identified as a key hindrance to communities moving forward.[18] The

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[16] Government of Saskatchewan, What We Heard: A Report on the Partnership of Prosperity Consultations June 2001, page 1.

[17] Government of Canada, Rural Canadians Speak Out - Final Report on the Analysis of Input Received from the 1998 Canadian "Rural Dialogue", Volume I: Technical Report, page 102.

[18] Ibid, page 104

Committee believes that this does not imply that there are no leaders in rural Saskatchewan, but that we need to identify and nurture the next generation of rural leaders amongst our youth.

Recommendation

That the Government of Saskatchewan and the Government of Canada work together to implement a province-wide mentorship program where, for example, a project manager would be assigned to a non-profit project in a community to work with the volunteers for a period of time up to 60 days, to initiate the planning process and provide direction and experience of navigating through the regulations of government and financial institutions.

Recommendation on Aboriginal Impact

Background

The First Nations population makes up at least 10% of the Saskatchewan population. It is also experiencing the highest growth rate of all segments of the population. The First Nations population, as defined in the report accounts for significant revenues flowing into the Saskatchewan economy.

The First Nations are also becoming large landowners in the Province. This land holds many resources, which, through extraction and processing, can lead to other revenues - agriculture, mining, forestry, oil and gas.

Both the "Partnership for Prosperity Report" and the Chamber of Commerce "Action Saskatchewan: A Blueprint for 2005" discussed extensively the important role that the Aboriginal community will have in the future economic development of the province.

The success of enhancing the role of the Aboriginal community in future economic development of Saskatchewan will depend greatly on bridging the gap between the Aboriginal community and the rest of society. For example, "In 1996, the unemployment rate of Aboriginal people was over four times the unemployment rate of non-Aboriginals."[19] To further quote the Partnership for Prosperity report:

> *"In areas such as health, economic participation and education there is a wide divide between Metis and First Nations and the rest of society. The ultimate goal is to bring all people in Saskatchewan to the same standards."*[20]

Although much work needs to be done to improve various socio and economic indicators, the Aboriginal community has made some major strides in the area of economic development. For instance, "Three First Nations-owned businesses are in the top 100 Saskatchewan businesses."[21]

The First Nations have raised the concern that some past agricultural assistance programs were not available to the First Nations sector. They feel that accessing these programs and initiatives would have enhanced economic development. Examples of these programs included: NISA and AIDA.

First Nations have identified an additional systemic barrier that is brought about by the Indian Act. Financial institutions will not provide financing to projects on Indian Reserves unless there is a change to the status of the reserve land. Financial institutions cannot take security against assets located on reserve lands.

The Aboriginal community has placed a high emphasis on building partnerships with the non-Aboriginal community. Building partnerships with the Aboriginal community was also a key focus in the "Partnership for Prosperity Report"

Recommendation

It is recommended that Government of Saskatchewan initiate discussions with the Government of Canada to provide mechanisms for First Nations people and their communities to access federal programs and services initiated at the provincial level.

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[19] Government of Saskatchewan, Partnership of Prosperity: Success in the New Economy: An Economic Strategy - Towards 2005, June 2001, page 9.

[20] Ibid, page 9.

[21] Ibid, page 9.

That the Government of Saskatchewan begin the process of removing barriers, to provincial programs and initiatives, that prevent First Nations participation.

That the Government of Saskatchewan implement policies that encourage the private and public sector to forge partnerships with Aboriginal organizations, and that the public sector be encouraged to establish and implement targeted, set aside policies for Aboriginal providers of goods and services.

Recommendation on Community Development Granting Foundation

Background

In the "Partnership for Prosperity" report, released in June 2001, a need was identified to "consult on an ongoing basis with rural residents on what role the government can play in realizing economic opportunities - and act in response to those consultations."[22] As one rural resident outlined:

> *"Make sure that communities have a will to survive - and plan - and grow, and have the support and tools needed to empower them to make it happen."*[23]

From the consultations to date (Partnership for Prosperity, ACRE, Canadian Rural Dialogue, to name a few), it is clear that rural and remote residents of Saskatchewan have the will to survive, however, in some cases they lack the tools and/or the capacity to address the challenges they face. In many cases, a substantial amount of money is not what is required, but resources are required to "kick start" an initiative or experiment with new ways of doing business. The subcommittee realizes that governments are faced with seemingly unlimited demands on the limited resources that are available. Therefore, it becomes a question of prioritization and more efficient use of these limited funds.

Other jurisdictions have established funds using revenue from gaming activities that support community-level initiatives, for example, the Province of Ontario's Trillium Foundation.

The Ontario Trillium Foundation was established in 1982 to ensure that a portion of the proceeds of the Ontario Lottery Corporation is directed toward social issues in Ontario. As an agency of the Ministry of Tourism, Culture and Recreation, Trillium has an arm's length relationship with the government and is governed through a volunteer Board of Directors.

Its focus is the development of a vision, which provides opportunity, and promotes both individual and collective responsibility by encouraging innovation and experimentation, cross-sectoral collaboration, citizen participation, and systemic change.

Trillium accepts applications in four broad sectors **— Arts & Culture, Environment, Sports & Recreation and Human & Social Services.**

Arts & Culture

In the Arts, the Ontario Trillium Foundation funds organizations and activities in all disciplines, whether professional or amateur, including performing, media and visual arts, literature, arts education and community arts initiatives.

Environment

In this sector, projects are considered which protect, restore and promote the benefits of a clean environment.

Sports & Recreation

Community-based activities that create opportunities for people of all ages and abilities to take part in a wide range of sports and leisure programs.

Human & Social Services

While many grants in this sector are about meeting people's immediate and often urgent needs, this area focuses on developing the skills and confidence that can reduce those needs, break cycles of poverty and isolation, and build better futures.

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[22] Government of Saskatchewan, Partnership of Prosperity: Success in the New Economy: An Economic Strategy - Towards 2005, June 2001, page 17.

[23] Ibid, page 21.

Eligibility

The Trillium Foundation will fund any one of the following:

- Registered charities;
- Organizations incorporated as not-for-profits in a Canadian jurisdiction;
- Unincorporated branches or chapters of charitable or incorporated not-for-profit organizations. Branches, chapters or member agencies of a provincial network must submit a signed letter from the provincial organization authorizing the application and accepting responsibility for the Trillium grant;
- First Nations initiatives through a Band Council resolution.
- Métis Charter communities; and
- Collaboratives of organizations, containing at least one eligible member.

For 1999/2000, the Trillium Foundation awarded grants totalling over $80 million. For more detailed information on the Trillium Foundation, please refer to its web site:

From the Government of Saskatchewan Public Accounts statements, Liquor and Gaming revenues in Saskatchewan for 2001 contributed almost $700 million to the public coffers. The subcommittee acknowledges that this revenue is allocated to many worthwhile initiatives throughout Saskatchewan, whether it is to support health care, educational opportunities or infrastructure. Additionally, the Committee recognizes that the government distributes lottery funds throughout Saskatchewan through Sask Sport Inc. For example, during 2000/2001, over $29M was dispersed to over 12,000 volunteer sports, culture, recreation and community groups. However it is the view of the subcommittee that a portion of these funds could be set aside for broader rural community initiatives similar to those described above.

The subcommittee is of the view that the Government of Saskatchewan should consider allocating a portion of gaming revenues to community development activities in the following areas:

- Social Services:
- Health
- Education
- Economic Development
- Municipalities

However, the Committee wishes to emphasize that it is not suggesting that the existing agreement with the Saskatchewan Indian Gaming Authority be revisited. This recommendation applies to the Government of Saskatchewan's portion of gaming revenue.

Recommendation

That the Government of Saskatchewan form a Task Force to study the feasibility of establishing a foundation similar to Ontario's Trillium Foundation that would support rural community economic development initiatives.

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APPENDIX 1 COMMITTEE MEMBERS

(Chair) Joan Corneil, General Manager, Great River Lakes REDA

(Co-Chair) Gene Kessler, Chairman, Family Farm Foundation

Gary Atimoyoo, Director of Special Projects, Economic Development, Federation of Saskatchewan Indian Nations

Wayne Bacon, President, Saskatchewan Canola Growers Association

Evan Ortynsky, Saskatchewan Chamber of Commerce

Darell Pack, Senior Policy Advisor, Agriculture and Agri-Food Canada, Rural Secretariat, Manitoba/ Saskatchewan Region

John Serhienko, Chair, Agriculture in the Classroom

Denise Smith, Saskatchewan Elk Breeders Association

Resource Personnel:

Rick Bjorge, Saskatchewan Agriculture and Food, Extension Branch

Ron Eley, Saskatchewan Agriculture and Food, Policy and Program Development Branch

Dion McGrath, Rural Revitalization Office

APPENDIX 2 DATE AND LOCATION OF MEETINGS

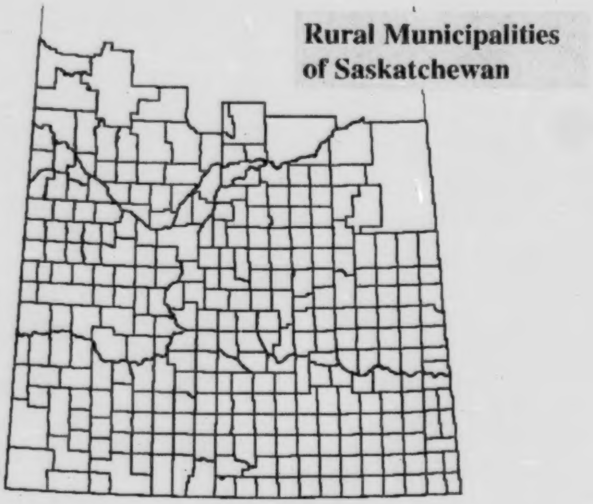
1. October 5, 2000 - Regina
2. November 9, 2000 - Outlook
3. January 17, 2001 - Regina
4. March 22, 2001 - Wiseton
5. March 28, 2001 - Regina
6. April 10, 2001 - Regina
7. April 24, 2001 - Regina
8. May 10, 2001 - Swift Current
9. June 20, 2001 - Regina
10. July 12, 2001 - Watrous
11. July 24 and 25, 2001 - Saskatoon
12. August 31, 2001 - Regina

Conference Calls

1. August 23, 2001

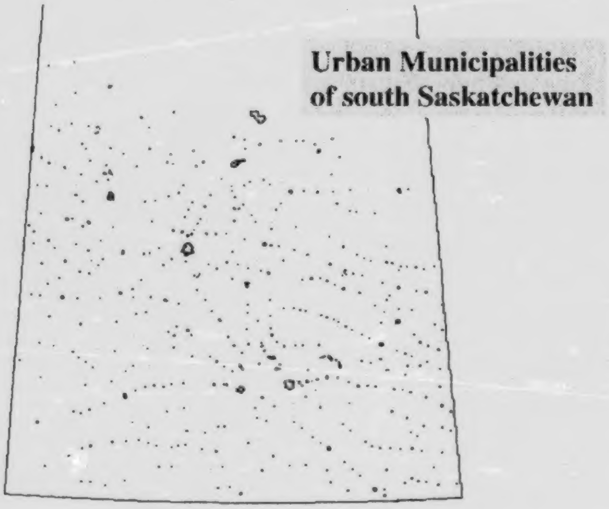
APPENDIX 3 MAPS OF AGENCIES INVOLVED IN ECONOMIC DEVELOPMENT

Due to time constraints and the lack of data, the following series of maps does not include all of the various district boundaries that exist in the province of Saskatchewan. For example, the Regional Economic Development Authorities (REDA's), the tourism regions and boundaries for other agencies are not included. The purpose of this exercise is to illustrate the lack of co-terminus boundaries in Saskatchewan.


Rural Municipalities
of Saskatchewan

September 2001

Information Services Corporation of Saskatchewan


Urban Municipalities
of south Saskatchewan

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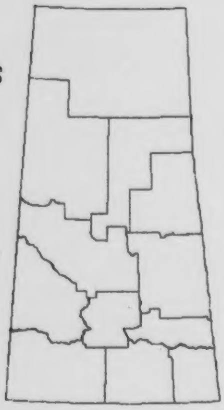
Information Services Corporation of Saskatchewan



Dept of Highways Transportation Districts

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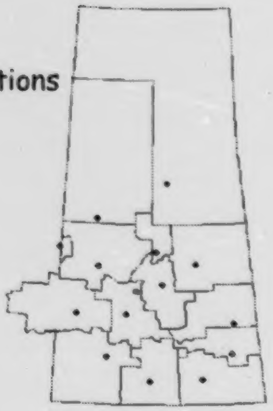
Information Services Corporation of Saskatchewan



Community Futures Development Corporations

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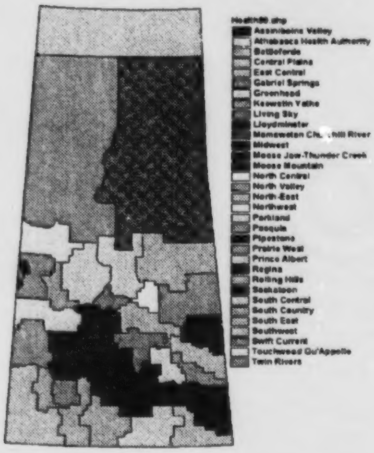
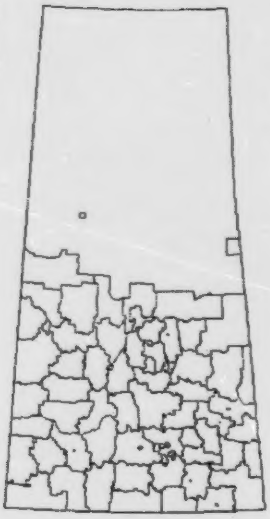
Information Services Corporation of Saskatchewan

Saskatchewan Health Districts


Assiniboine Valley
Athabasca Health Authority
Battlefords
Central Plains
East Central
Gabriel Springs
Greenhead
Keewatin Yatthe
Living Sky
Lloydminster
Mamawetan Churchill River
Midwest
Moose Jaw-Thunder Creek
Moose Mountain
North Central
North Valley
North-East
Northwest
Parkland
Pasquia
Pipestone
Prairie West
Prince Albert
Regina
Rolling Hills
Saskatoon
South Central
South Country
South East
Southwest
Swift Current
Touchwood Qu'Appelle
Twin Rivers

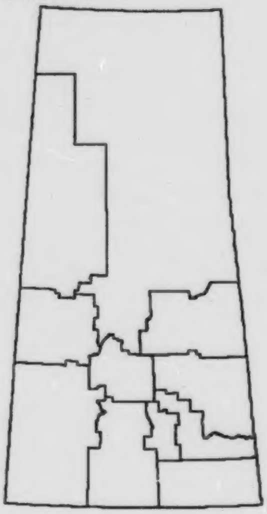
September 2001 *Information Services Corporation of Saskatchewan*

School Districts



September 2001 *Information Services Corporation of Saskatchewan*

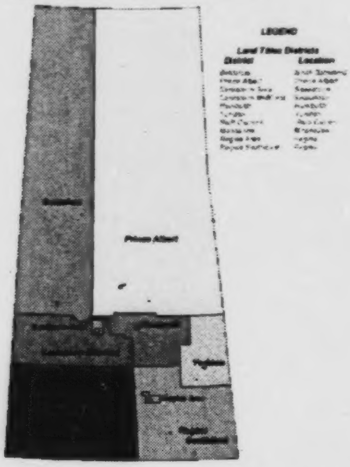
Social Service Districts



September 2001

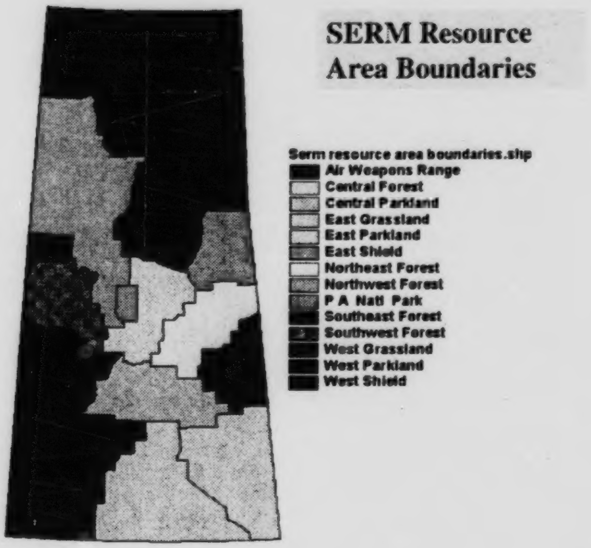
Information Services Corporation of Saskatchewan

Land Titles Districts of Saskatchewan


LEGEND
Land Titles Districts
District
Location
Prince Albert

September 2001

Information Services Corporation of Saskatchewan

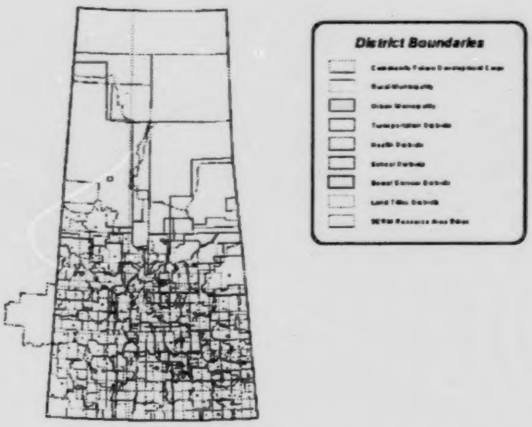

SERM Resource
Area Boundaries

Serm resource area boundaries.shp
Air Weapons Range
Central Forest
Central Parkland
East Grassland
East Parkland
East Shield
Northeast Forest
Northwest Forest
P A Natl Park
Southeast Forest
Southwest Forest
West Grassland
West Parkland
West Shield

September 2001

Information Services Corporation of Saskatchewan

Districts layered over each other illustrates non-congruent boundaries


District Boundaries

ACTION COMMITTEE ON THE RURAL ECONOMY

ACRE Youth Forum Summary Report
March 14, 2002

February 15th to 17th, 2002
Saskatoon Inn
Saskatoon, Saskatchewan

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I: PREAMBLE

The Youth Steering Committee of ACRE accepted an exciting challenge: to address rural revitalization in Saskatchewan from a young adult's perspective. It was tasked that this challenge could be met by posing the question, What Would It Take? to young rural Saskatchewan citizens between the ages of 17 and 32. The group wanted to know what would it take to keep rural Saskatchewan alive, and more specifically what would it take to not only retain, but also attract young adults to the rural areas of our province. The Youth ACRE Committee knows that their province has a wealth of untapped resources and it became our mission to draw a road map to an ideal Saskatchewan.

The first step came in forming a steering committee that would head the forum (see Appendix A). The committee met a number of times before the concept of a rural forum was finalized. Through the collection of submissions from around the province, a list of potential delegates was created. The ultimate goal was equal representation geographically as well as from different industries. The list also included students and Aboriginal representation.

The main objective of the forum was obvious - not only did the steering committee want to solicit the input that would cultivate innovative ideas and produce concrete recommendations to pass on to ACRE as a whole, but there were other opportunities to be realized at this forum. The unique opportunity of having the brightest and the best of our Saskatchewan youth together provided the opportunity to motivate each other and build networks that would ideally result in a strong link for youth throughout the province.

The anticipated outcome of the forum was two fold; to collect opinions and ideas about rural Saskatchewan, and to review and critique the ACRE's final recommendations. This report, although qualitative, provides ideas and recommendations for the future of rural Saskatchewan from a youth perspective.

II: The Forum

The Steering Committee strived to ensure equal representation from all geographical areas of the province. A Saskatchewan map displaying the hometowns of the participants is included in Appendix B. Sex, background, education, industry and Aboriginal representation were also considered when selecting participants. In total 143 candidates were invited and 60 participated in the forum.

A copy of the agenda is found in Appendix C. Aside from the breakout discussions, the Honourable Clay Serby, Minister of Saskatchewan Agriculture and Food, joined the group in the opening the session to bring greetings on behalf of the Provincial government and the group had an opportunity to ask questions of Minister Serby after his presentation. As well, the Action Committee on the Rural Economy (ACRE) Executive Committee was present on Day two, to discuss the ACRE process and the interim recommendations. The agenda also included a motivational speaker who talked about his challenges as an adventurist and how they relate to risk taking in Rural Saskatchewan.

III: The Sessions

The committee used breakout sessions as the main vehicle to collect info at the forum. The sessions were designed to collect input from the participants in an unbiased, dialogued method. Each session was lead by a facilitator from the Youth ACRE Steering Committee and information was recorded in the group memory via flip chart and laptop.

The participants were divided into breakout groups based on regional location and industry affiliation. Each group had individuals who could offer information on the questions and objectives for each breakout session. Directly, many commonalities and connections were noted in each session and indirectly a better understanding amongst sectors, regions, and cultures was also recognized. In total, three breakout sessions were held. The main topics were as follows:

1. Opportunities and constraints in the five economic sectors as identified by ACRE (agriculture, agri-value, rural manufacturing and construction, rural service, and resource).
2. Opportunities and constraints with respect to social issues such as health care, education, and infrastructure.
3. Issues around entrepreneurship; access to capital; labour force skill/expertise; regulation and policy.

A detailed list of breakout sessions and questions is included in Appendix D.

The final session was a panel discussion with members of ACRE. The youth forum participants had the opportunity to read the ACRE recommendations and view the Reporting Back video, before the floor was opened for questions or comments. A summary of this discussion is included in Appendix E of this report.

The audience microphones had a line up of six to eight people at any time and over a dozen questions were asked in total. The majority of questions and comments were positive, indicating support for ACRE's recommendations and process. Concerns were limited to two areas:

1. There is not enough youth involvement both in the ACRE process and in government decision making in general.
2. How will ACRE monitor with the recommendations to ensure that the government is following through with the process?

Overall, participants were pleased that they could be a part of the ACRE Youth process and applauded ACRE's efforts.

IV: Recommendations

Recommendations centred on a number of themes. The message was clear that youth, who are living in rural Saskatchewan, are very dedicated to the future of their community, and are willing to help out in any way they can. Although many of the participants at the forum will move because of career opportunities, if they had the same choices in rural Saskatchewan they would stay.

Overall participants see Saskatchewan as a great place to raise a family, providing a very high quality of life. However, they understand that in order to retain youth, especially in rural areas, there must be jobs, including high-level jobs for people who are well educated. The group knows that these jobs can be created in three main ways; expansion of existing companies, new company start ups by local entrepreneurs, and attraction of companies from outside of Saskatchewan. The forum participants did not necessarily feel that Saskatchewan currently is as business friendly as it could be. Suggestions for change fall under a number of categories:

Investment

Many participants suggested that both existing businesses and new entrepreneurs need better access to capital. There is no consensus on whether or not the Provincial Government should be more or less involved in this, but a number of policy changes were suggested.

- Increase the amount of capital available to youth. The programs that offer loans or grants under $5000 provide little support for youth who are interested in getting into business.
- Reduce the number of programs offered by government by eliminating overlap and combining similar programs.
- There is a lot of "untouchable" money in the province that could help build Saskatchewan's economy. Government should encourage more local contribution to private industry through incentives such as tax breaks for investing in Saskatchewan companies or increase the RRSP contribution towards funds, such as the Golden Opportunities Fund, that invest in local companies.
- Many of the participants were in favour of what Crown Investment Corporation and Saskatchewan Opportunities Corporation were providing for investment capital. Some participants did note that these organizations do not take as much risk as they should on viable projects.
- * Government should be partnering with the First Nations bands to promote economic development partnerships. Treaty Land Entitlement money could be used to fund Saskatchewan's economic opportunities.
- More capital in the agriculture sector is needed to support viable projects. Many participants noted that they would like to see increased amounts of capital available for agriculture projects that would traditionally be considered high risk.

Overall, the participants realized that companies and investments from outside the province are needed.

Economic Development

The Provincial Government should promote Saskatchewan as "Open for Business" and mean it. Many policy changes that may improve the business climate (or poor perceptions of it) were suggested at the forum. They include:

- Government should support private industry, but not be directly involved in it. Although not everyone agreed with the latter part of this statement, the beginning is an obvious comment.
- Both corporate and personal provincial taxes should be lowered. This will help business to succeed and individuals to prosper.
- There was discussion on promotion of for profit community projects. One participant noted that most towns work very hard to get a town hall or a swimming pool, but there is little community focus on for profit projects. As another participant commented "your town is not defined

by a school or a hospital - why don't we put this energy into business in the community- this is what really gets a community going".

- Tourism was mentioned multiple times as an area of opportunity for Saskatchewan. Taking advantage of the tourism potential in the province could generate capital for the province as well as help Saskatchewanians to appreciate their province's natural resources.
- One of the breakout groups also addressed co-operatives and community-based projects. Although these are seen as playing an important role in the rural economy, the group felt that these structures were not the only answer, but part of the transition process towards private industry and a stimulator of spinoff companies.
- The oil and gas industry was mentioned a number of times during discussion about Saskatchewan's opportunities. Many participants felt that the time to lower the royalties on these resources is now. If the province waits too long, the opportunity may be lost.
- Regina and Saskatoon provide access to a number of world-class clusters that include research and development institutions as well as private industry. These facilities should be centralized in the cities, but are important in identifying markets and developing agriculture innovations for the rural areas. An example of a cluster includes agriculture biotechnology in Saskatoon.
- A couple of participants noted that the Kyoto Agreement should be further explored as an avenue to become the "Green Leader" in Canada.
- Many of the discussions relating to industry ended with the solution of actively attracting more companies to the province that would be complimentary to existing organizations. The communities should use their regional benefits to build on business clusters that may already exist.
- The participants felt that the Internet is going to be a huge tool for the rural areas in the future. They applauded the government's efforts to bring technology to the rural communities and noted that many businesses could compete worldwide from small town Saskatchewan over the Internet.

Agriculture

Agriculture was a major theme of the forum because of its importance in the rural economy. Rather than completely changing the focus of the rural economy, the participants noted that a few changes would make a noticeable difference.

- Saskatchewan farmers have traditionally had the mentality that they are producing food to feed the world. This must change to a more business-oriented way of thinking and a focus on non-food products such as ethanol and fibreboard, for example.
- The rest of the world sees Saskatchewan as being pure and natural, which positions the province perfectly for organic production. Saskatchewan's agriculture products need to have a strong branding strategy to help market them internationally. A model for this program would be Alberta's beef branding program.
- Young farmers are concerned about the transition process of farms from owners wishing to retire to youth who would like to enter into farming. Farming is a very costly business to get involved in and the government should look at ways to facilitate the transition process.
- Participants were concerned about the use of land by farmers and other organizations. The provincial government should be promoting production of different crops in the areas where they grow best and should not be promoting mass production of one product.
- The group knows that Saskatchewan has access to all of the inputs needed for intensive livestock production (land, water, feed), but there was no consensus on whether or not Saskatchewan should be promoting the growth of intensive livestock operations and large corporation involvement in the rural areas. One of the ideas is to have a number of small plants feed a large plant. For example, Saskatchewan could have a number of ethanol plants that could be fed by small farms in the area. These farmers could then use the byproduct from the plant for their feedlots.

- All participants were in favour of provincial government promoting value added processing by funding value added companies or attracting companies that would compliment current production.

Infrastructure and Rural Services

- Many participants have indicated interest in a two-tiered health care system. If Saskatchewan citizens have the choice to wait for healthcare in the public system or pay for quicker service, it would benefit the healthcare system in two ways. First it would allow those people who did want to pay for quicker service to do so. Secondly, it would free up the service for others on the waiting list.
- Implementation of a user fee in the healthcare system was discussed as an option for Saskatchewan. Even though the fee could be very minimal, it would prevent citizens from abusing the system.
- Nursing homes in rural areas should be explored to create higher paying jobs and to keep more people in the rural communities.
- The discussion on transportation did not provide one direction for recommendations, but did comment on exploration of railway deregulation, need for increased air services, and more regulation for semi-trailer use on highways.

Attitude / Facilitating Change

Many of the issues that we are facing in Saskatchewan may relate back to a negative attitude towards the province and opportunities here.

- The forum participants applauded marketing initiatives inside the province such as The Saskatchewan Dream and Seeds of Success, but noted that people living in the province already know that Saskatchewan is a great place to live. Steps should be taken to promote Saskatchewan outside of the province through both competitive advertising and working with the media to produce good news stories.
- The group strongly supported more Aboriginal information about heritage and culture being transferred to the general populous in the province as the cultural population grows. This applies to all areas but particularly agriculture, education and health care.
- The participants believe that we must encourage a successful attitude by ensuring competition and encouraging Saskatchewan people to be success in this province. Encourage a positive outlook to opportunity and change the mentality of learned helplessness. Explore ways to support community investment in local businesses and increase community pride.

Skill Development

- The group felt that educating Aboriginal people should be one of the provincial government's high priorities. The Aboriginal population will be Saskatchewan's competitive advantage in the near future.
- The provincial government should explore ways in which we may include more "Saskatchewan" into our education system - to help tie people to their roots. This includes history, government policy, general information on resources, and opportunities available. Ensure that even as children we are learning a positive image of the province.
- Practical courses such as entrepreneurship and business should be offered in the rural education system at all levels. The participants commented a number of times on the importance of the business community being involved in schools in both program development and mentorship.
- The group sees tremendous opportunity for online education (at the primary and secondary levels as well as the post secondary level) that has the potential to provide rural Saskatchewan residents with a more balanced education system.
- Promotion of the trades is viewed as a top priority. The graduates coming out of technical and trade schools are needed to fill labour force gaps and accredited trades people should be promoted as a valuable resource.

V: Going Forward

The Youth Steering Committee and participants both indicated interest in seeing discussions about rural Saskatchewan continue. Many participants would like to see increased participation of youth in policy development and government process as well as to continue the networking that occurred at this forum. A number of suggestions for going forward have been made, these include:

- **Web site** - A web based application would be the easiest and most cost effective way to continue these discussions. There are opportunities to create an on-line chat room where policy, regulation, opportunity, etc. could be discussed. This site could host other resources such as ACRE updates and government policy information as well as solicit information from the forum participants and rural youth in Saskatchewan. Almost all of the forum participants indicate that they use e-mail on a regular basis and would therefore have access to the Internet.
- **Annual Youth Forum** - In order to ensure youth perspective in policy and to continue these discussions, a yearly forum could be hosted. This could be either independent or government assisted much like the youth forum. The purpose could be to direct government on various policy or issues or to solicit youth perspective on certain topics. A number of participants noted that this option would be of interest to them.
- **Youth ACRE Sub-Committee** - The Steering Committee realizes that its focus will need to shift from steering the forum to putting recommendations into action. The committee may need to expand or add certain participants from groups that currently are not well represented. This smaller group in its new form could be used as first line respondent to various issues from a youth perspective or to meet with government for input and would become a liaison between the youth of Saskatchewan and the provincial government.
- **Special Projects Group** - Smaller groups made up of Youth ACRE participants could be set up in order to accomplish specific projects or tasks. Although the group does not yet have a strong direction for these special projects, many participants have shown interest.
- **Aboriginal Involvement** - Many participants would like to hold another forum that is specifically focused on Aboriginal participation in economic development and in the community.

The committee is unsure what method will be used to continue the discussion with youth in Saskatchewan, but the strong concern about follow up from the participants reinforces the need to explore these alternatives.

APPENDIX 1

Youth Action Committee on the Rural Economy

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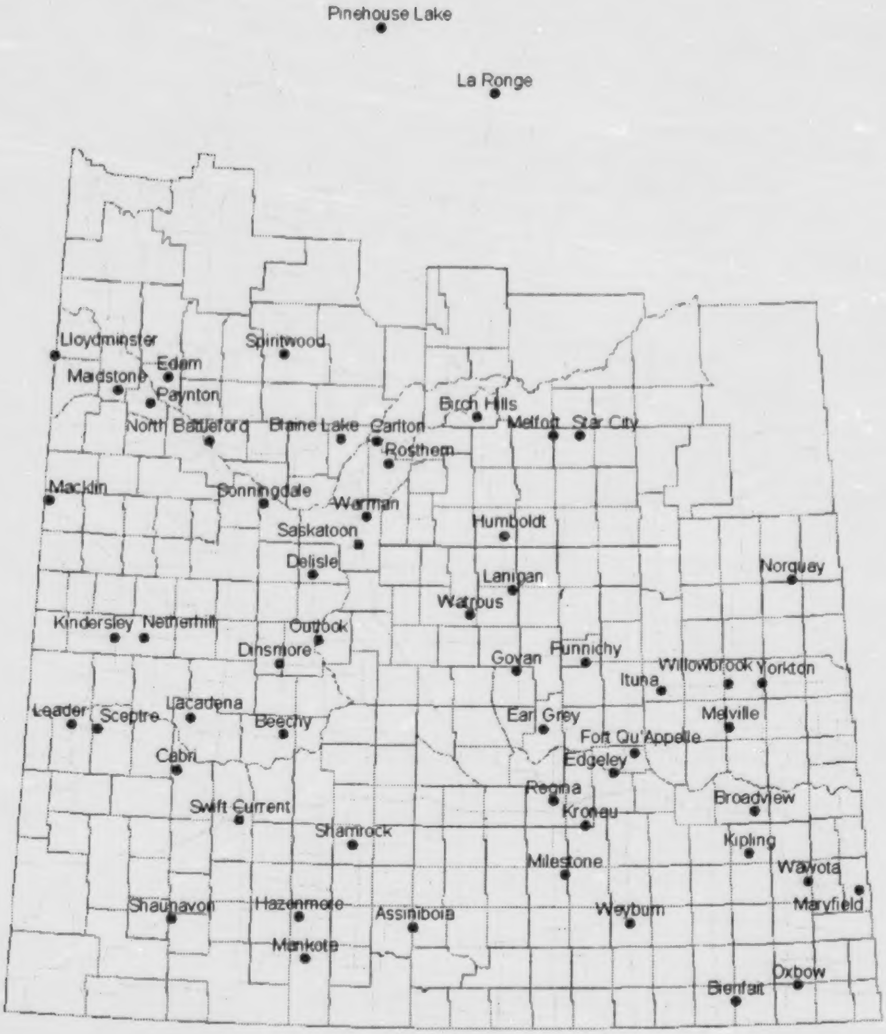
APPENDIX 2

ACRE - Youth Forum Participants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La Ronge
Lloydminster
Spiritwood
Edam
Maidstone
Paynton
Birch Hills
North Battleford
Blaine Lake
Carlton
Melfort
Star City
Rosthern
Macklin
Sonningdale
Warman
Saskatoon
Humboldt
Delisle
Lanigan
Norquay
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Kindersley
Netherhill
Outlook
Dinsmore
Punnichy
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Fort Qu'Appelle
Cabri
Edgeley
Regina
Broadview
Kronau
Swift Current
Shamrock
Kipling
Milestone
Wawota
Shaunavon
Hazenmore
Assiniboia
Weyburn
Maryfield
Mankota
Oxbow
Bienfait

Saskatchewan Agriculture and Food

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UTM Zone 13 Projection NAD 83

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Prepared By:	Geomatics Unit
Data Source:	Administrative Services
Date	March 14, 2002

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APPENDIX 3

Action Committee on the Rural Economy (ACRE)
Youth Forum
February 15th to February 17th, 2002
Saskatoon Inn - Saskatoon, Saskatchewan
Forum Agenda

Friday February 15th	
7:00 pm - 10:00 pm	Registration and Welcome Social - Courtyard Room
Saturday February 16th	
8:00 am	Registration and Breakfast - Canadian Room
9:00 am	Welcome and Introductions • Ms. Danea Armstrong, Chair, ACRE Youth Forum Steering Committee • Honourable Clay Serby, Deputy Premier Minister of Agriculture and Food Minister Responsible for the Rural Revitalization Office • Ms. Audrey Horkoff, Co-Chair Action Committee on the Rural Economy (ACRE)
9:30 am	Overview of Agenda and Expected Outcomes of the Forum
10:00 am	Presentation and Discussion of Youth Forum Vision/Mandate
10:30 am	**COFFEE**
10:45 am	**BREAK OUT SESSION #1** *Discussion:* *The Rural Economy* *- Agriculture* *- Agri-Value* *- Rural Manufacturing and Construction* *- Rural Service Sector* *- Resource Sector*
12:00 pm	Lunch - Canadian Room
1:00 pm	**BREAK OUT SESSION #2** *Discussion:* *Social Issues* *- Healthcare* *- Education* *- Infrastructure*
2:15 pm	**COFFEE**
2:45 pm	**BREAK OUT SESSION #3** *Discussion:* *General Topics For Discussion* *- entrepreneurship* *- access to capital* *- labour force skill/expertise* *- regulation/policy*
4:00 pm	Recap and Intro to Sunday
4:30 pm	Adjourn Meeting
6:00 pm	Cocktails - Canadian Room
6:30 pm	Dinner/Banquet (Business Attire) - Canadian Room
7:00 pm	Entertainment
Sunday February 17th	
7:30 am	Breakfast
8:30 am	Key Note Speaker - Bruce Kirkby
9:30 am	Coffee Break
10:00 am	ACRE Presentation - Reporting Back To Rural Saskatchewan • ACRE Executive Committee Question and Answer Period
11:45 am	Forum Wrap Up
12:00 pm	Lunch

APPENDIX 4

Breakout Questions

This is the question guide used by the facilitators for each session:

Breakout Session #1

- List the opportunities/ strengths that are available in each sector that need to be maximized.
- Discuss the constraints that must be overcome in order to enhance the opportunities for sustainable rural economic development?

Breakout Session #2

- What do you see as current strengths in our:
  a: Health Care
  b: Education
  c: Infrastructure
- Given the current population and economic situation in our communities in rural Saskatchewan what innovative and successful ideas need to be addressed in order to sustain our rural development and communities.
- What do you see Health Care, Education, and our Infrastructure in Saskatchewan to look like in 10 to 15 years and what policies and procedures need to be in place to support these views?

Breakout Session #3

1. List and discuss innovative and successful ideas that have been implemented by entrepreneurs locally and around the world used to maximize rural economic growth.
2. Is there access to expand and start ventures in Saskatchewan (Access to capital) and what are the opportunities; how do you find them?
3. Discuss the Saskatchewan talent base in relation to labour force skill and expertise. What can Saskatchewan do capitalize on this?
4. What can be done to ensure these issues we have discussed address another issue — retention of our Saskatchewan Youth?

APPENDIX 5

ACRE Committee Panel

Question and Answer Session

Q: Are we going to look at things other than an agriculture perspective? Are we going to develop other drivers in other industries in other markets etc?

A: We have looked at other industries unrelated to agriculture (tourism etc) - although we do focus somewhat on agriculture. We are looking at things like web development through communications infrastructure (high speed Internet access) - things 'outside the traditional Saskatchewan rural agricultural businesses. Access to air transportation is also being looked at so that the big high tech companies may come into Saskatchewan to do business here - we will make recommendations to remove some of the barriers and restrictions we have here that are limiting this now.

Q: This is our future and if nothing is implemented it won't come to fruition - I don't see a lot of youth and what in the future will be put in to play in the future to ensure youth has a say into things in the future.

A: The group was established by the Minister of Agriculture and so the makeup was decided in that way. But we did realize the youth perspective was missing and hence the youth forum. The process is going to take several years - although we are compressing it in to months. We plan to meet every couple months to review what is being done and review what have become priority items. We will continue to make recommendations - this is not the end of the process. What we hear you say is that we need to keep the youth perspective alive as well - that is perhaps something we need to take into consideration as well. We intend to keep a strong watch on what happens with the government - we will not allow this sit on the shelf as simply another report.

Q: What is the definition of "migrant worker" as it is used in the interim recommendations and why is this recommendation there.

A: Migrant workers are primarily people from off shore - particularly people who work primarily in the market garden industry - used for the short window for harvest. Saskatchewan has no ability to use this type of labour (ex: Mexico). Some businesses in Saskatchewan would like to use these workers to harvest so that they don't have to go through 270 workers to get 30. (Question about cheap labour and about labour laws) They would fall under labour laws that would be established.

Q: Has the ACRE committee identified the barriers for growth with the alternative fuel sources eminent — are we losing potential for jobs and revenue?

A: We have some restrictions because a number of RMs have set their own policies and we have a higher tax base here then Alberta - we think we need to level that playing field. We need to fully exploit those opportunities for capital. We are also hoping that technology will help us extract more of our resources into the future (ex - oil in Weyburn).

Q: Why isn't "Saskatchewan" being taught in our schools? - There is only one out of my graduating class coming back to rural Saskatchewan. They see no positive outlook or future for us. Will new curriculum be changed to help this? And how long until these changes take effect?

A: There is a recommendation towards having more or different subject materials in Saskatchewan schools. Obviously we need jobs too, to get the youth to stay here. We need to have training in Entrepreneurial skills and the value of rural life, etc.

Q: Is there anything that can be done for people on welfare to get them working? Work for welfare as example (education and training).

A: Unfortunately forcing people to do jobs - although a good philosophical approach, does not fix the bigger issue. We are trying to provide people with skills that the economy requires etc.

Q: Where is the support for agriculture and agriculture industry diversification - why are there no databases for producers to access for information to develop business etc?

A: We have less than 50% of our income coming from livestock, and we did that to ourselves - so we now have to recover that. This takes time, and so we need to learn the skills, and capital to do this. We have all kinds of recommendations to move this situation around to get back and reverse this trend. Also with the database the government needs to have a database easily accessible to everyone - we understand there is work underway for this.

Q: Would like to know a little about the tax credit for businesses recommendation. Also would like to know is there access to capital or a database for people to help work in a small Saskatchewan business (instead of bringing in migrant workers)?

A: The tax credit in its simplest terms is that you get a credit on the value that you have added. It's to get value added enterprise into the province. The under 35 tax credit is to bring young people in to the province - bring the young entrepreneurs in. The issue of education and training - we made a recommendation for more education and training for our young people. We need to collect data for local communities to tap into for access to a labour force for them to use —we may have the human resources but don't know where to find them.

Q: How are you going to ensure this is not simply a study group? At what point do these things become specific measurable actions?

A: Minister Serby has already put together some sub committees to be certain some of these things come to fruition although some of these changes mean changing legislation so they will take time. We are all in favour of change, the process is to put forward the recommendation and then it has to be put through the government, we will be around to watch and see that this is done. We have been putting pressure as to the urgency of these issues - writing letters if we feel things are not happening quickly enough, etc.

Q: What types of policy recommendations are being made to form partnerships with First Nations?

A: In particular in Agriculture we are trying to look at what strategies we can do to expand ourselves in particular with partnerships regionally in the value added industry, export, and bio-tech - we want a piece. We see employment opportunities here. We need some training in these areas in order to be able to form partnerships - example: only one out of 3000 students in Agriculture is First Nations at the moment. Also there are some history issues that we need to get over. So these are very powerful issues that we are dealing with - but we want growth and partnership.

Q: How will we integrate First Nations into the new growing Saskatchewan? Who will cover the shrinking tax base that is being created? We feel this is something we really need to discuss and work at.

A: 85% of Aboriginal people in this country pay tax - that work. We know what our unemployment rate is etc. Unfortunately we have different groups that don't pay - democratic rules of government etc. — We have to respect that First Nations groups tax their people - they are a government. What we understand from our Treaty is that we have the right to tax people who do business on our territory. We don't view it as no tax - we see it as you tax, we tax. So that irritant is there. Some Nations are growing in taxation even.

Q: Was the ACRE Youth committee set up at the same time as the other committees and to what extent has each committee had time to consult with the youth of this province?

A: All the committees have talked to stakeholders of all ages. This youth forum was recognized as something that was recognized that was necessary fairly early on in the process - we needed to engage the youth. Admittedly, not from Day one. The recommendations made here will go back to the committee and will go forward to the government. We do not assume to have covered all the avenues but we realize we have a lot of information to cover and consulting to do - towards action.

One comment was made on Health Care and one thanking ACRE for their work.

Research document prepared for ACRE
jointly by Ken Perlich of ECONEX and
Doug Elliott of *Sask Trends Monitor*.

Growing the Rural Economy

Version 2
September, 2001

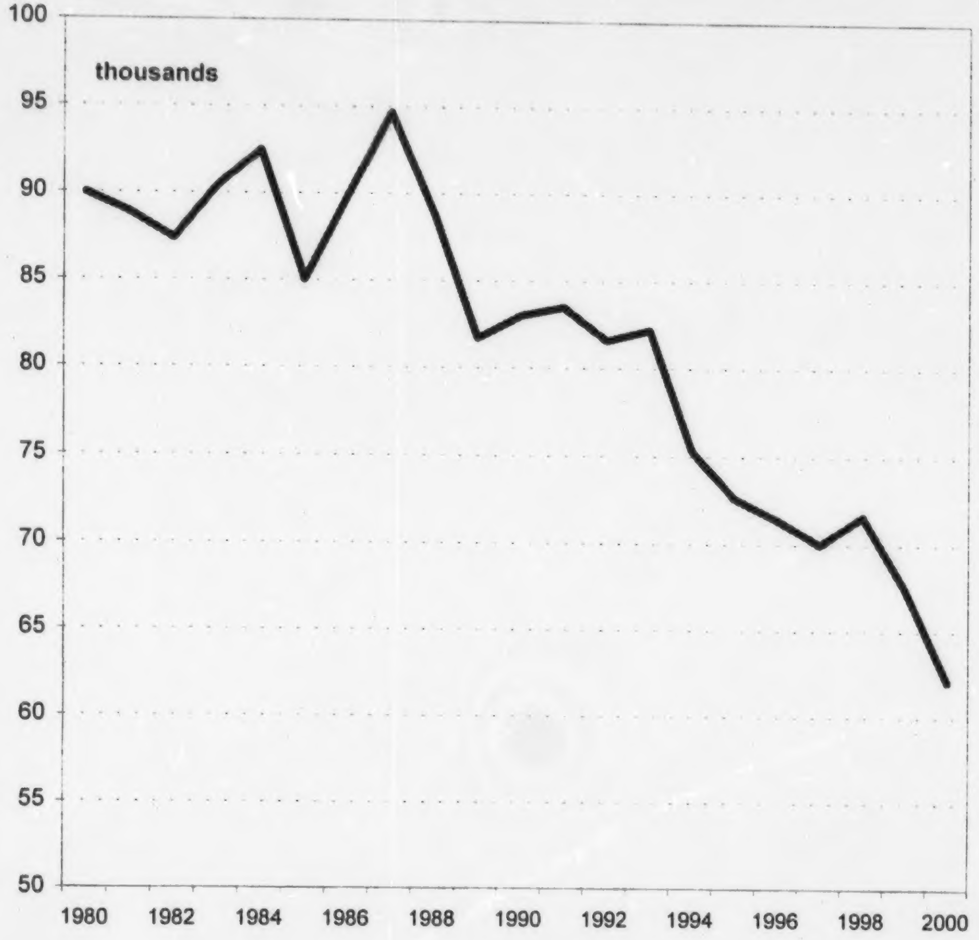
Background

- This research was commission by the Saskatchewan Department of Agriculture and Food for the Action Committee on the Rural Economy (ACRE).
- The research will:
  - describe the current state of the rural economy in Saskatchewan;
  - develop a scenario for a growing rural economy, comparing it with the status quo; and
  - estimate the impact of several rural economic development initiatives proposed by the ACRE Executive.
- The research is being undertaken jointly by Ken Perlich of ECONEX and Doug Elliott of *Sask Trends Monitor.*
- This is a "work in progress".

Outline and Methodology

- The size of the current rural economy is estimated and an aggressive but achievable target for economic growth is set for twenty years in the future. Targets are chosen for the four individual sectors:
  - primary agriculture;
  - manufacturing and processing;
  - resources;
  - construction and tertiary services.
- For each sector, the capital and labour required to reach the target growth rates are estimated.
- The implications for the rural economy - population and employment, for example - are examined.
- Sample projects and development opportunities are examined to illustrate how the target can be achieved.
- *Note: "Rural" is defined as the part of the province outside the Census Metropolitan Areas of Regina and Saskatoon. Data limitations mean that the far North is also included as a rural area for the analysis which follows.*

Context - Farms, Farmers, and Rural Depopulation

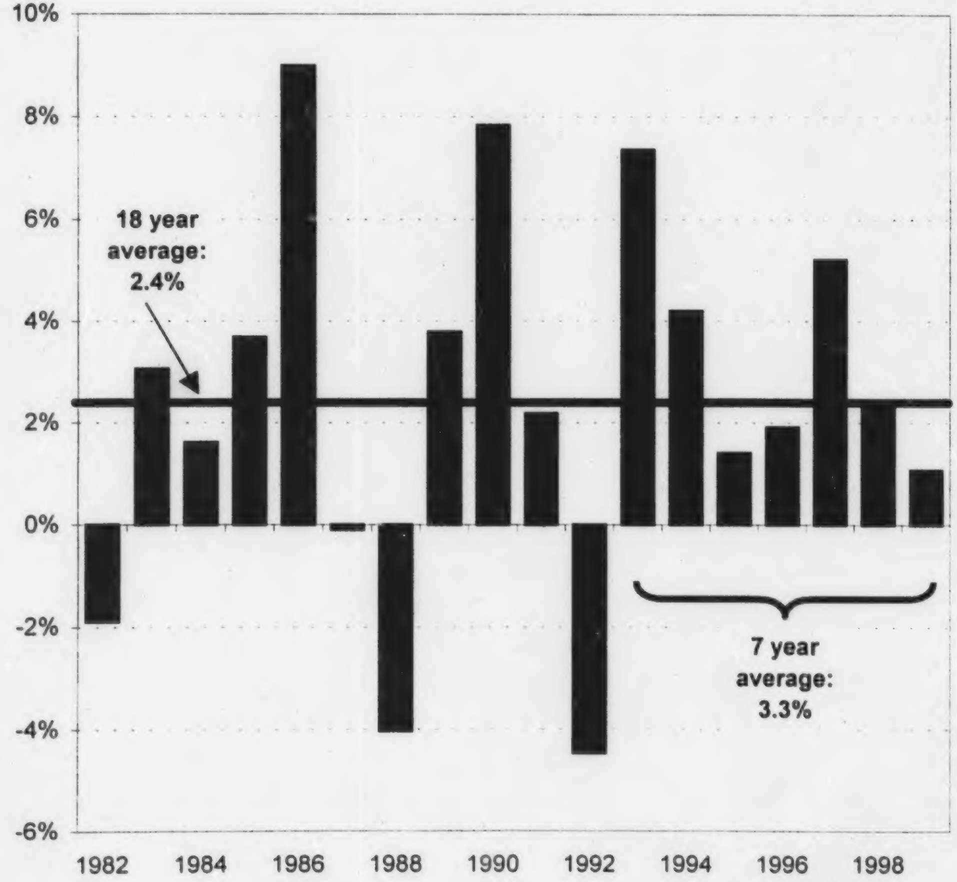


Employment in Agriculture (main job)

- Since 1961, the number of farm operations has declined from over 90,000 to 55,000. Off-farm income is a necessary supplement for most of these 55,000 farms.
- The number of people who report their main job as farming has fallen from 90,000 in the early 1980s to less than 62,000 in 2000. It will drop to just over 50,000 in 2001.
- As the number of farms declined, the farm population declined as well, dropping from 300,000 in 1961 to 145,000 in 1996.

Context - The Provincial Gross Domestic Product

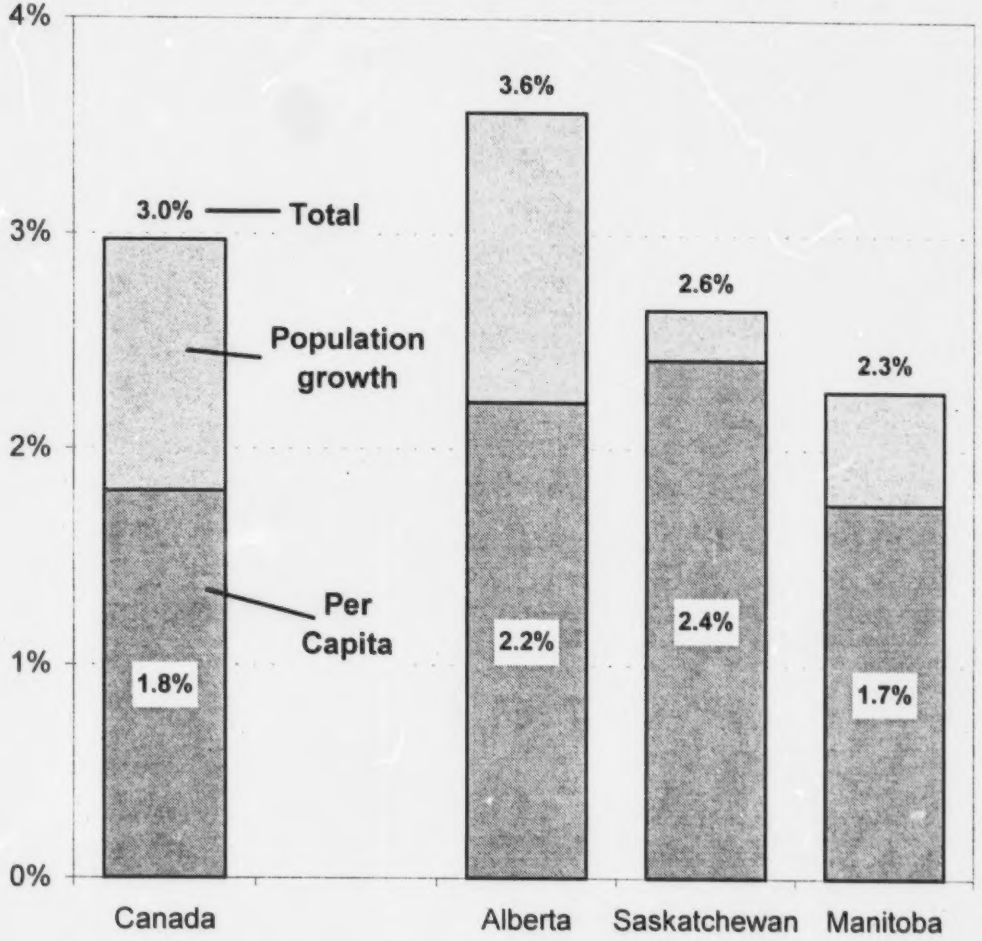
Percentage Change in Real GDP, Saskatchewan, 1982 to 1999



- The Gross Domestic Product or GDP is a measure of the value of all goods and services produced in an economy. Real GDP, measured in constant 1992 dollars, can also be interpreted as the "value added" by an economy. It is the measure used most often as an indicator of economic well being.
- The Saskatchewan GDP, measured in real terms, has been growing at an average of 2.4% per year since the early 1980s. The growth rate since the last recession in 1992 has averaged 3.3% per year.
- The use of GDP as an indicator of economic well being is not without difficulties. We also need to examine the impact on the population and the labour force.

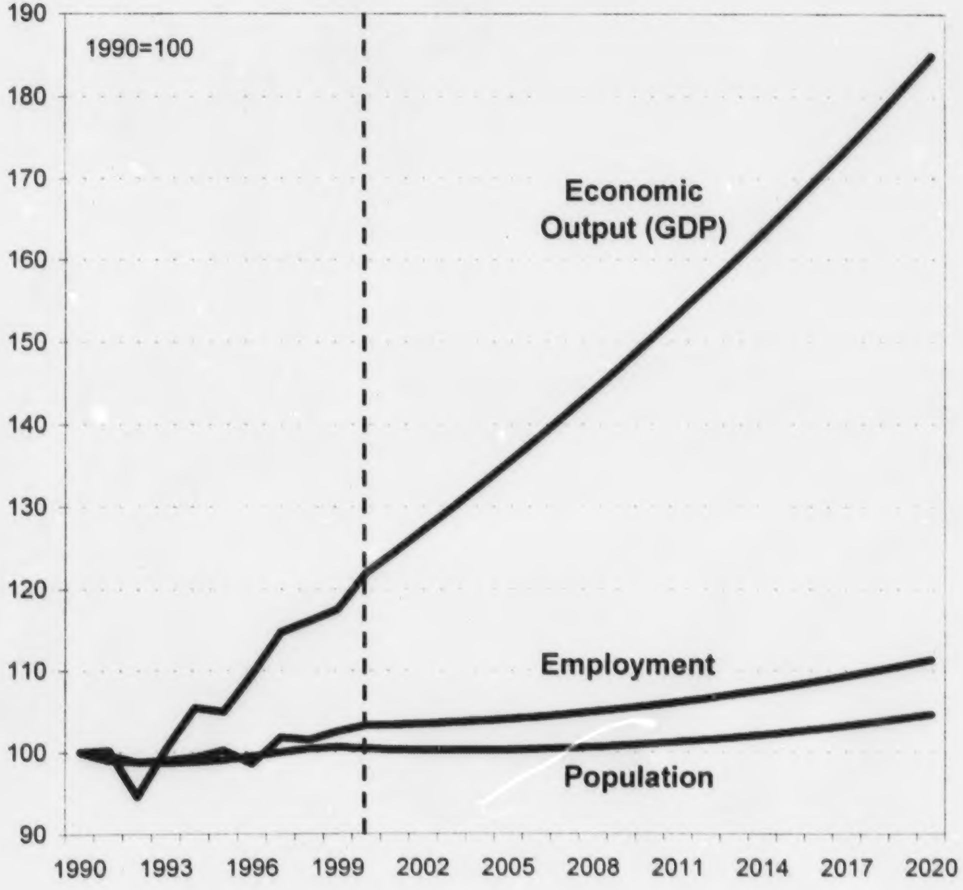
Context - Economic Growth

Average Annual Growth Rate, Real GDP, 1982 to 1999



- Economies grow by virtue of an increase in the value of all goods and services produced. A significant portion of economic growth, from housing to haircuts, can be generated by the simple increase in the population.
- Saskatchewan's economy in the 1980s and 1990s has outperformed both the national and the other prairie economies on a per capita basis.
- The province lacks the element of growth driven by population. The overall economy has grown by an average of 2.6% per year compared with
  - 3.0% in Canada as a whole,
  - 3.6% in Alberta; and
  - 2.3% in Manitoba.

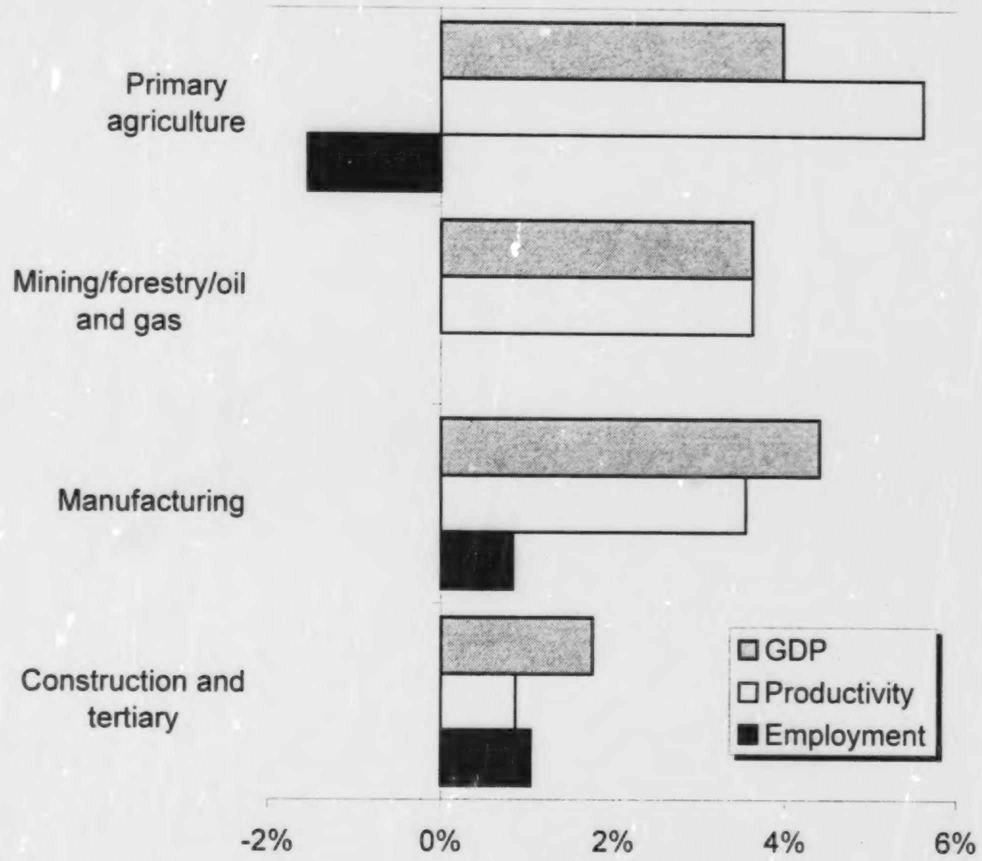
Context - Status Quo Outlook


Status Quo Scenario
Rural/Northern Saskatchewan

- From 1990 to 1999, the rural economy grew by 18% but employment increased by only 3%. In contrast the urban economy grew by 23% and employment grew by 11%.
- If the present pattern continues, the size of the rural economy will continue to grow but the population and employment levels will remain near their current levels.
- The projected growth rate for the rural GDP is 2.1% per year in this "status quo" scenario.

The Productivity Issue

Average Annual Growth Rates, 1989 to 1999, Rural Saskatchewan



- The "productivity issue" can be summed up by the simple relationship between economic growth, employment growth, and labour productivity growth*.

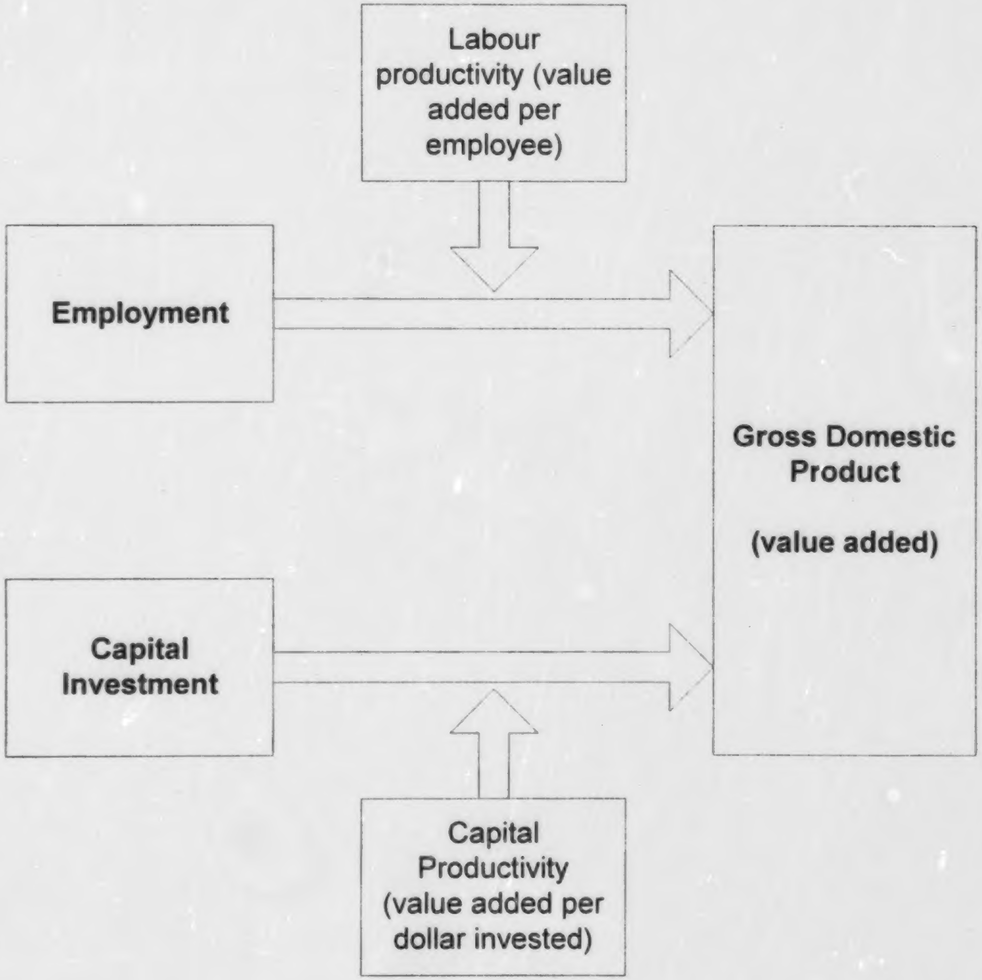
  Employment = GDP - productivity

- When labour productivity grows more quickly than GDP, employment declines (e.g. primary agriculture). When GDP growth more quickly than productivity, employment increases (e.g. manufacturing).

- To generate employment we "simply" need GDP growth rates in excess of labour productivity growth rates.

** labour productivity is defined in simple terms as GDP per person employed*

The Approach



Labour productivity (value added per employee)

Employment

Capital Investment

Capital Productivity (value added per dollar invested)

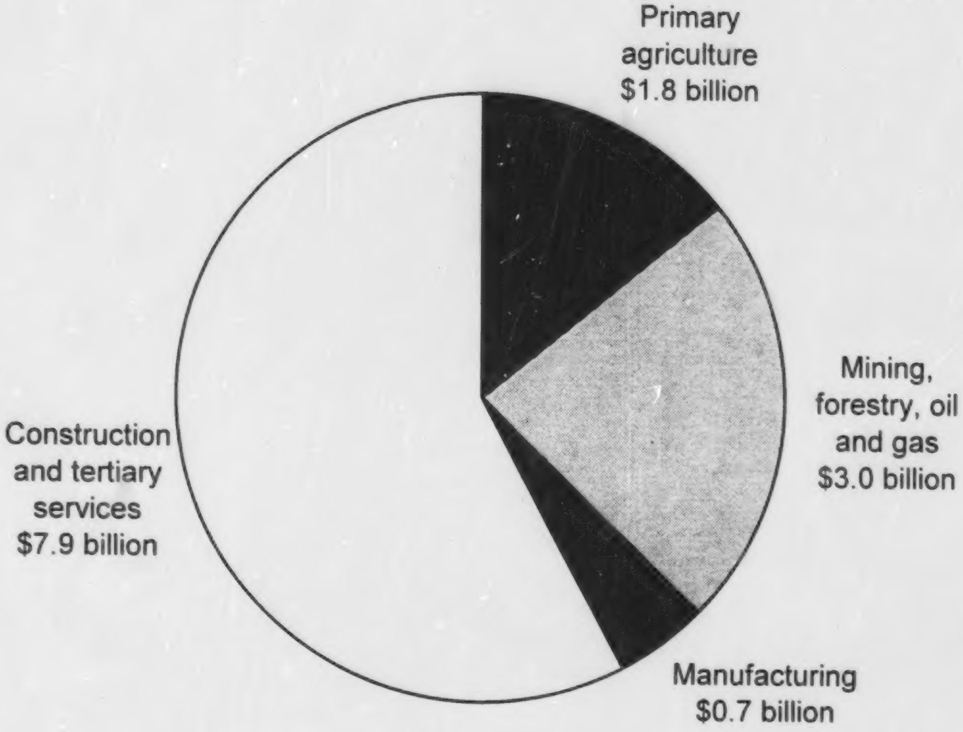
Gross Domestic Product

(value added)

- Lowering labour productivity is not the way to create employment. If the goods and services produced in rural Saskatchewan are to remain competitive in the Canadian and world markets, the value added per employee must continue to grow.
- The strategy has, therefore, two components:
  - increase GDP fast enough so that even with productivity increases, employment (and therefore population) grows; and
  - capture more of the spinoff benefits in rural Saskatchewan.

The Rural Economy in 2000

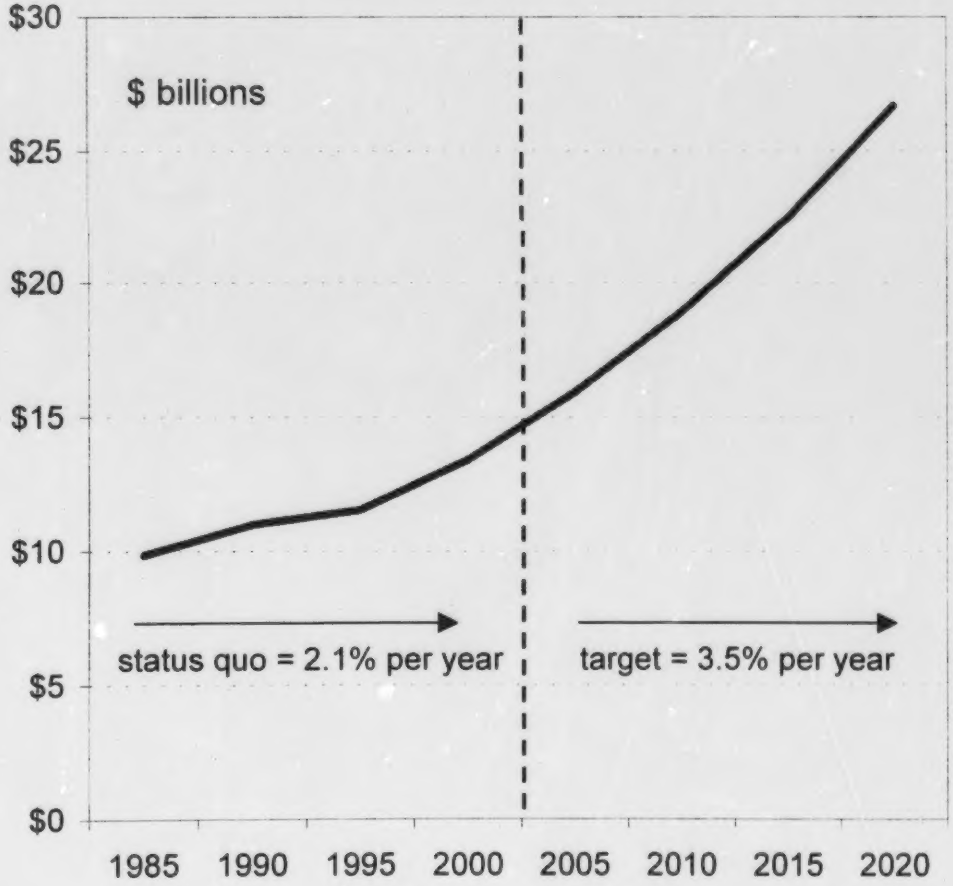
Rural/Northern GDP in 2000
$13.4 Billion



- Accurate data on the size of the rural economy are not available. This estimate for 2000 was obtained by allocating a proportion of the provincial GDP to rural Saskatchewan based on employment figures. The far North is included in the "rural" employment numbers; Regina and Saskatoon are excluded.
- This calculation suggests that 55% of Saskatchewan's GDP is in the rural and northern parts of the province. As a percentage of the provincial GDP, the rural/northern economy has:
  - 93% of agriculture;
  - 78% of the resource sector;
  - 43% of manufacturing; and
  - 46% of construction and tertiary services.
- The current composition of the rural economy is:
  - agriculture 14%
  - resources 22%
  - manufacturing 5%
  - construction and tertiary services 59%.

Target for the Rural Economy in 2020

Rural GDP Target Growth



- A 3½% annual growth rate in the rural GDP (rather than the 2.1% status quo scenario) would effectively double the size of the rural economy over 20 years:
  - from $13.4 billion in 2000
  - to $27 billion in 2020.
- The spinoff effects into urban economies are difficult to measure but they would be substantial and may take a number of years to materialize.
- With a rural economy growing at 3½% per year, the overall provincial economy could easily grow at 4% to 5% per year, well above the long term trend.

Target Composition for the Rural Economy in 2020

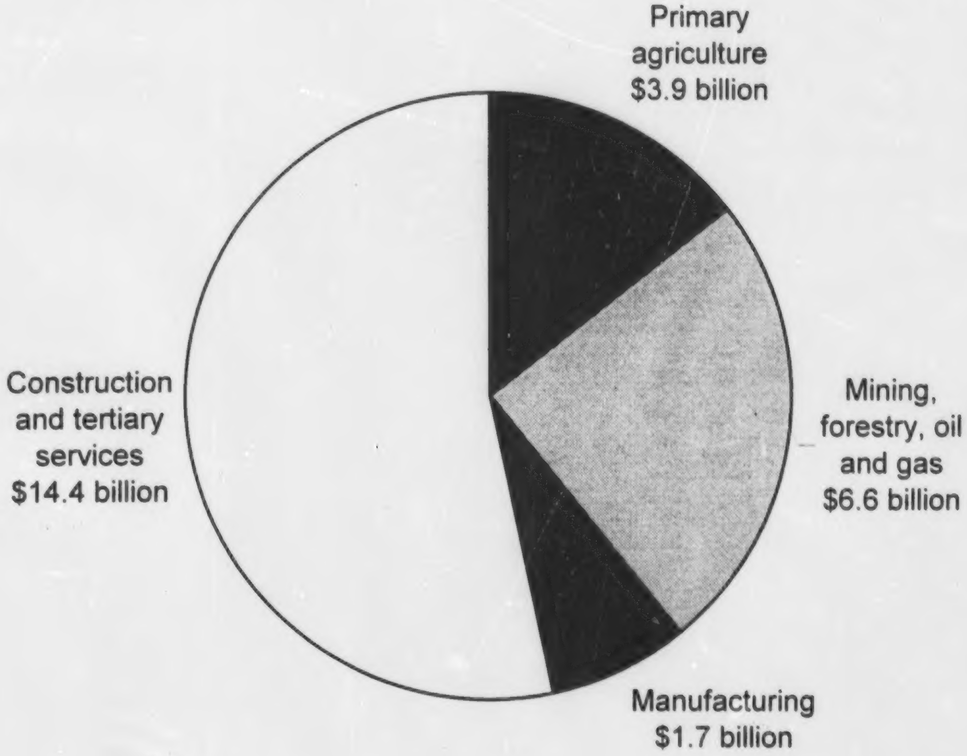
	Gross Domestic Product (billions of 1992 dollars)			Average Annual Growth Rate	
	1985	2000	2020	1985-2000	2000-2020 target
Primary agriculture	$1.2	$1.8	$3.9	3.1%	3.8%
Mining/forestry/oil and gas	$1.7	$3.0	$6.6	4.0%	4.0%
Manufacturing/processing	$0.4	$0.7	$1.7	4.1%	4.3%
Construction and tertiary	$6.6	$7.9	$14.4	1.1%	3.0%
Total rural economy	**$9.8**	**$13.4**	**$26.6**	**2.1%**	**3.5%**

- If present trends continue, agricultural GDP will increase to $2.5 billion by 2020. Maintaining primary agriculture's share of the current rural economy will require a doubling of agricultural GDP over the next twenty years to $3.7 billion in 2020. Returning to a 15% share of the rural GDP from it's current 14% share would require a GDP of $3.9 billion in 2020 and this is the target chosen.
- With no interventions, the resource sector will arguably grow at the 15 year trend line rate of 4% per year. This yields a target GDP of $6.6 billion.
- Rural manufacturing/processing has recently increased at 4.1% per year, increasing its share of the rural economy. A target of $1.7 billion, the equivalent of an annual growth rate of 4.3% was chosen to achieve the overall target growth rate of 3.5% per year.
- With a target growth rate of 3½% for the rural economy, the construction and tertiary services sector will arguably grow at 3.5% per year, driven by the growth rates in the other three sectors*. A slightly lower (3.0%) growth rate was chosen to reflect leakages into urban areas. By 2020, the construction and tertiary services GDP would be $14.4 billion.

** In Alberta, the rural tertiary sector increased more quickly from 1987 to 2000 than the other three sectors*

The Target Rural Economy in 2020

Rural/Northern GDP in 2020
$27 Billion

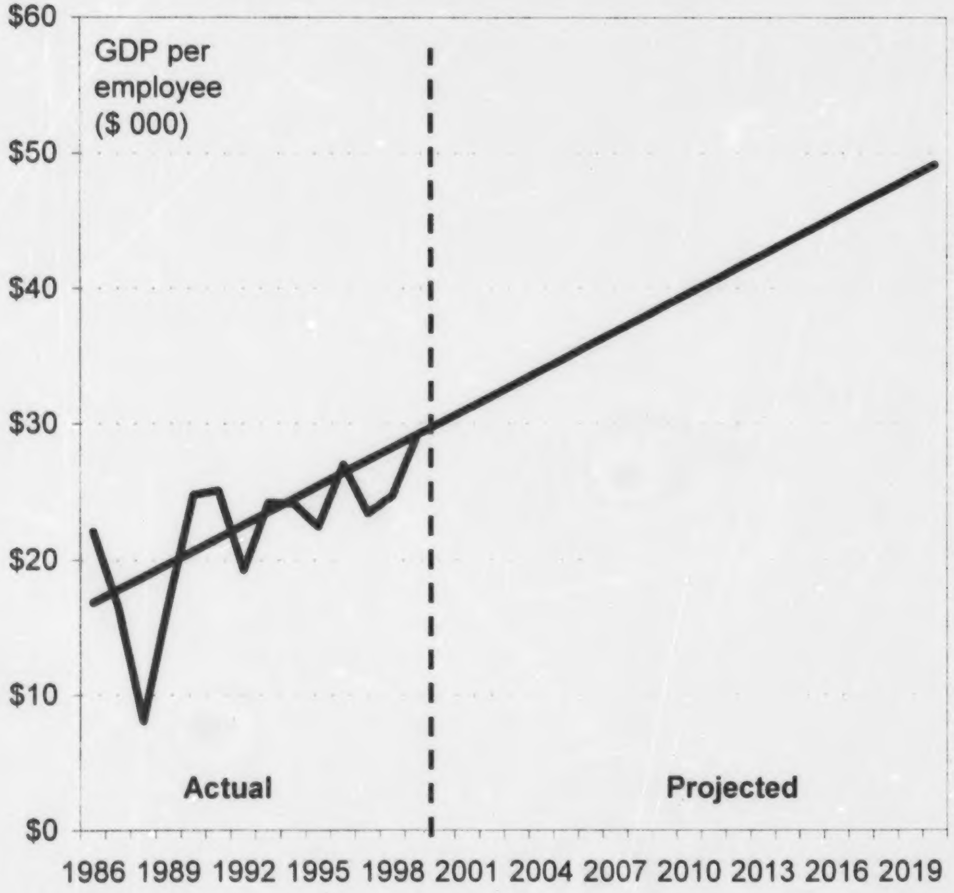


- With the chosen targets, the rural GDP will not look dramatically different than it does now although the "pie" will be much larger.
- All three of the goods producing sectors will have a slightly larger share, the construction and tertiary services sector a slightly smaller one.

Sector by Sector Analysis

Implications for Primary Agriculture - Employment

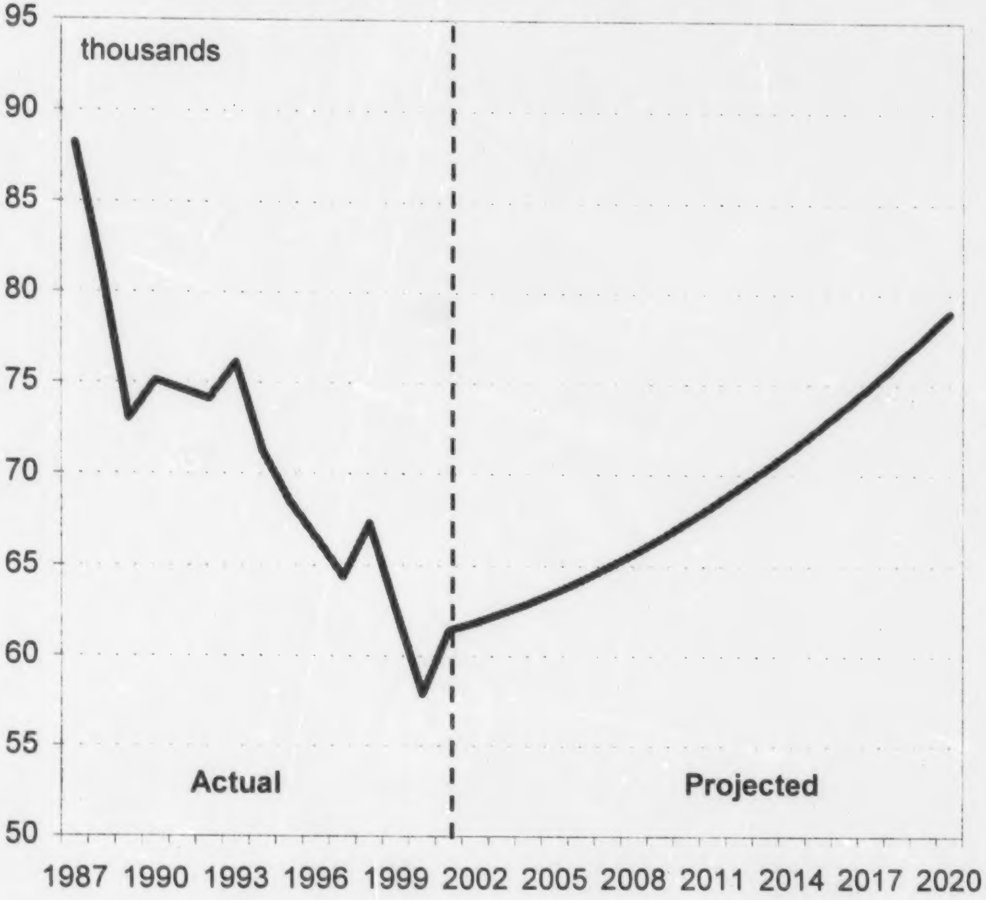
Labour Productivity, Primary Agriculture
(GDP per employee Provincial Totals)



Note: GDP per employee in Alberta has, until recently, averaged $30,000.

- Doubling GDP in rural agriculture will require a change in the way we do business. There will be, at most, the same number of acres under cultivation in 2020 as there is in 2000, value added per acre will have to double.
- The ratio of GDP and employment (a measure of labour productivity) is used to project employment requirements into the future.
- This methodology is hampered somewhat by the difficulty in measuring farm employment. The ratio on the chart is based on the number of persons who report their main job as agriculture. The figures have been adjusted to reflect a move from grain-based to livestock-based agriculture.
- GDP per employee is forecast to grow at an average rate of 2.5% per year, reaching $50,000 per employee by 2020.

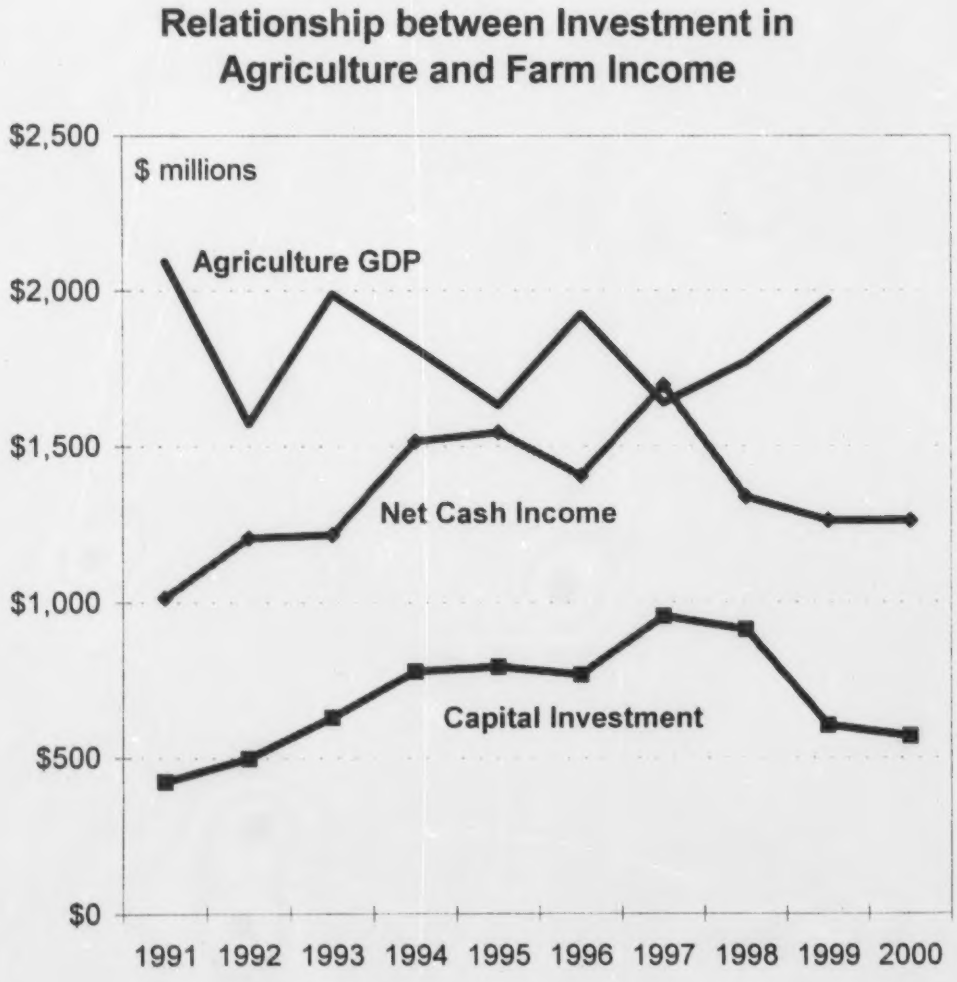
Implications for Primary Agriculture - Employment



Actual and Projected Employment (main job)
Rural Primary Agriculture

- With the 3.8% growth in GDP and the 2.5% increase in labour productivity, the incremental employment requirements in rural agriculture will be 20,000 persons over the next twenty years.
- Total employment reaches 80,000 by 2020.
- This will effectively reverse the decline evident since the mid 1980s.

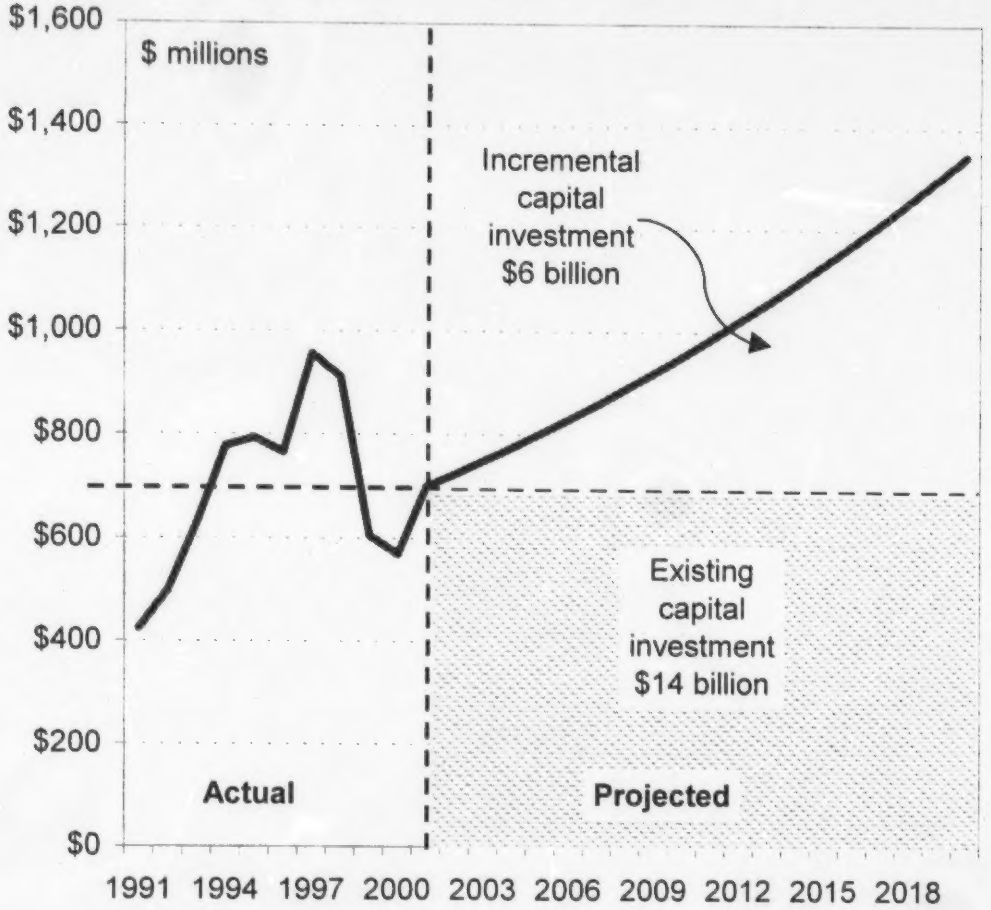
Implications for Primary Agriculture - Investment



Relationship between Investment in Agriculture and Farm Income

- Capital investment in agriculture tends to track net cash at just under a ratio of 1:2. The investment in new buildings, equipment, and machinery during the 1990s was done as cash flow permitted.
- In other words, primary agriculture is self-financed in the sense that investment is made from cash flow.
- The capital requirements in the future are estimated on the assumption that the average capital investment in the 1990s - $700 million per year - will have to grow at 3.8% per year, the same rate as the growth in agricultural GDP.
- Self-financing is not possible under this scenario.

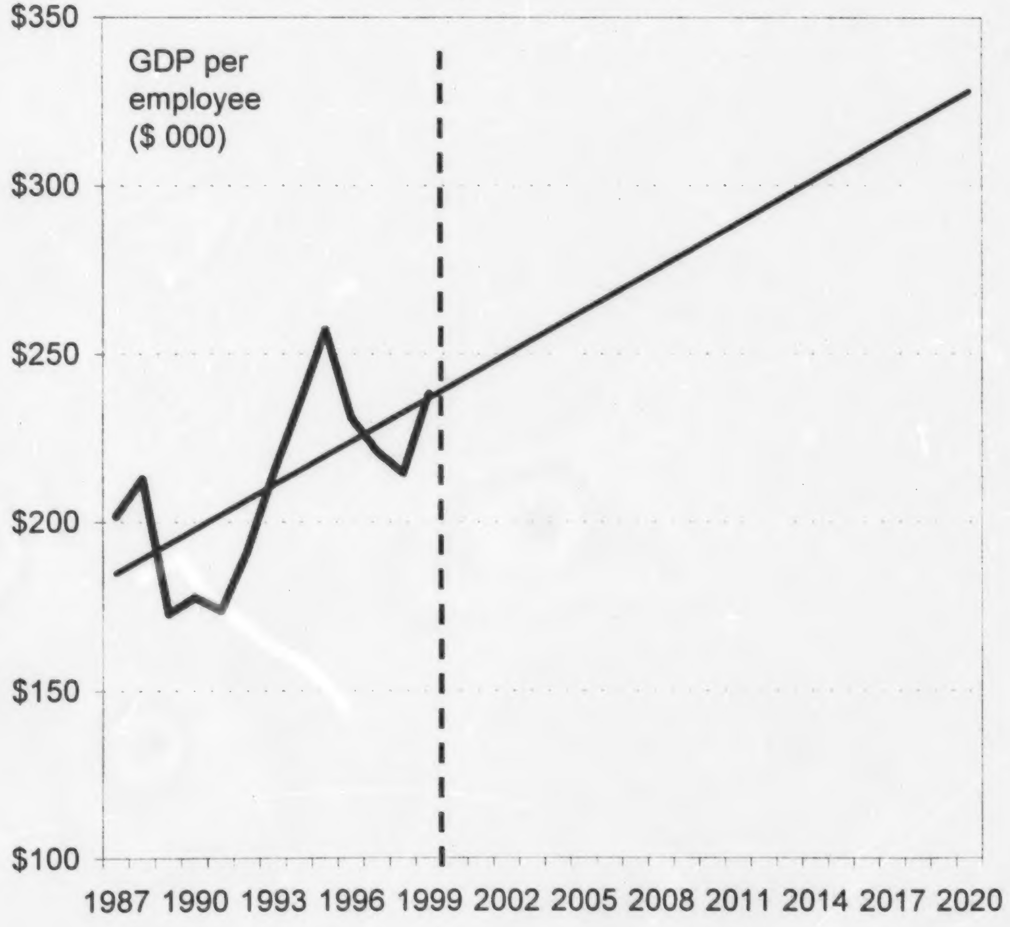
Implications for Primary Agriculture - Investment



Actual and Projected Capital Investment
Rural Primary Agriculture

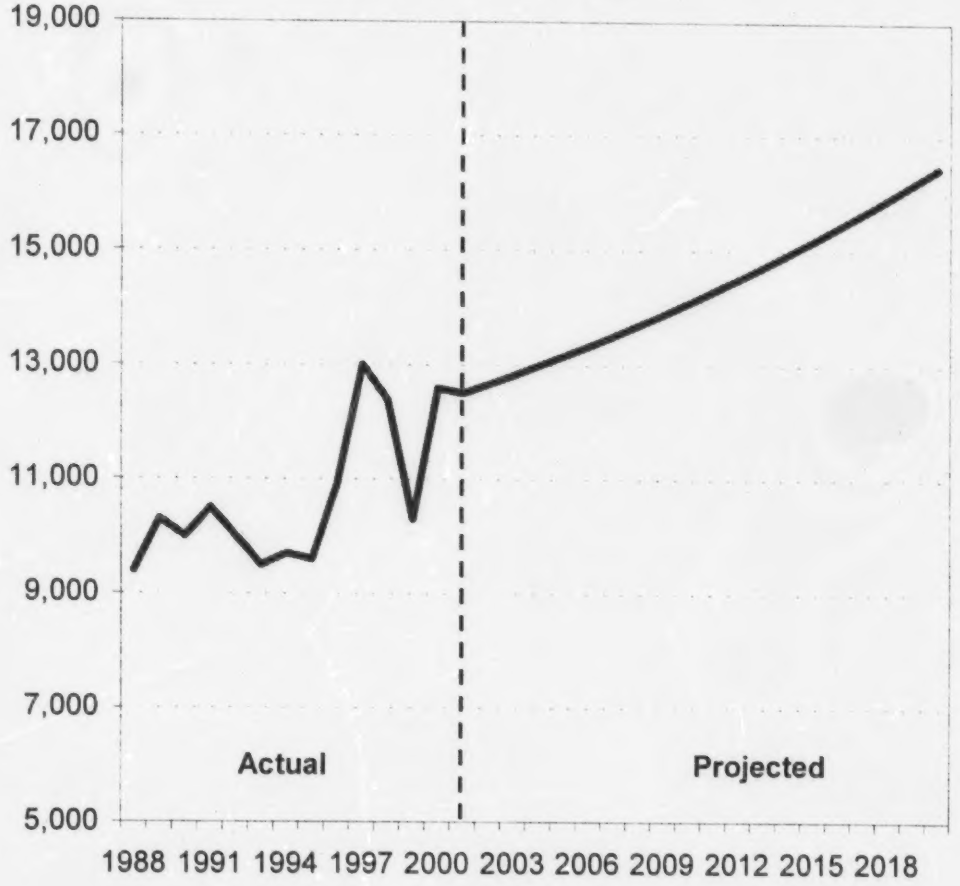
- New growth will require new capital investment which is assumed to increase at 3.8% per year, totaling $6 billion over the next twenty years.
- Total capital investment required for rural primary agriculture over the next twenty years is $20 billion or an average of $1 billion per year.
- The nature of the existing $700 million per year of capital investment will probably change as well.

Implications for the Resource Sector - Employment


Labour Productivity, Resource Sector
(GDP per employee Provincial Totals)

- The resource sector is capital rather than labour intensive. This is evident in the fact that GDP per employee is ten times the ratio for manufacturing or agriculture.
- Assuming a "status quo" growth rate in the resource sector implies steady growth of approximately 1.5% per year in GDP per employee.

Implications for the Resource Sector - Employment

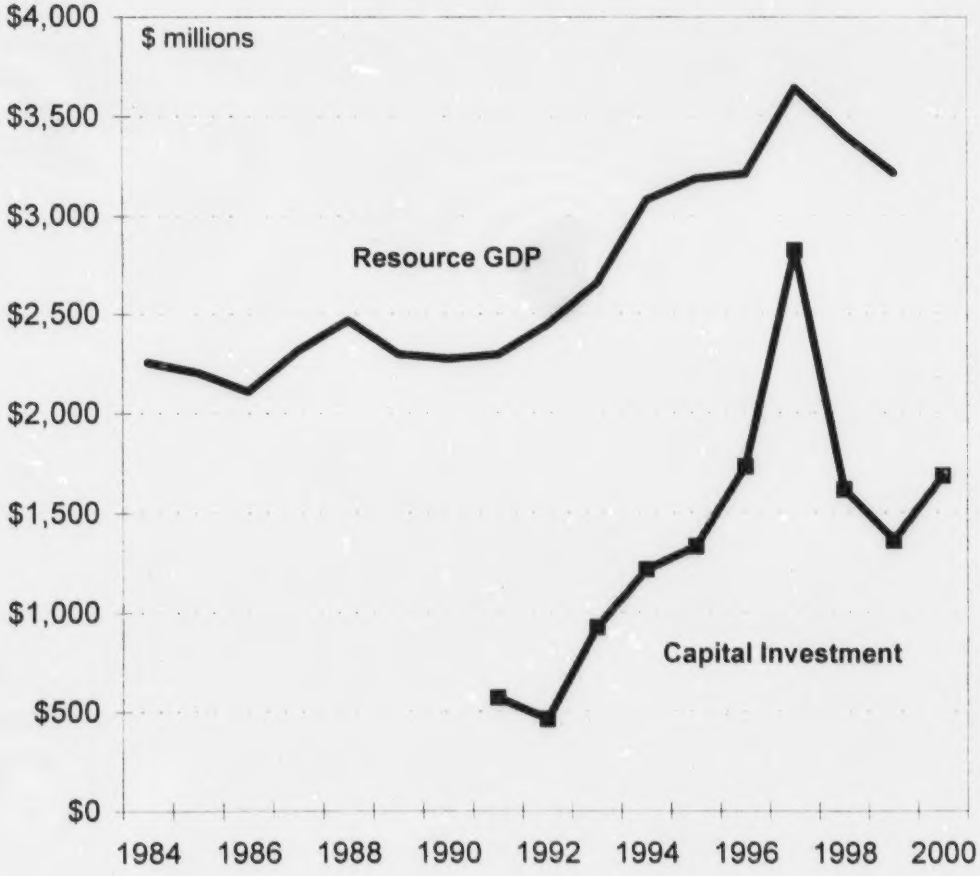


Actual and Projected Employment
Rural Resource Sector

- With the assumed 4% annual growth rate in GDP for the resource sector and a 1.5% growth rate for labour productivity, resource employment in rural Saskatchewan increases from 13,000 to nearly 17,000 over the forecast period.
- Total employment reaches 17,000 by 2020.
- This is effectively a continuation of the trend line in the 1990s.

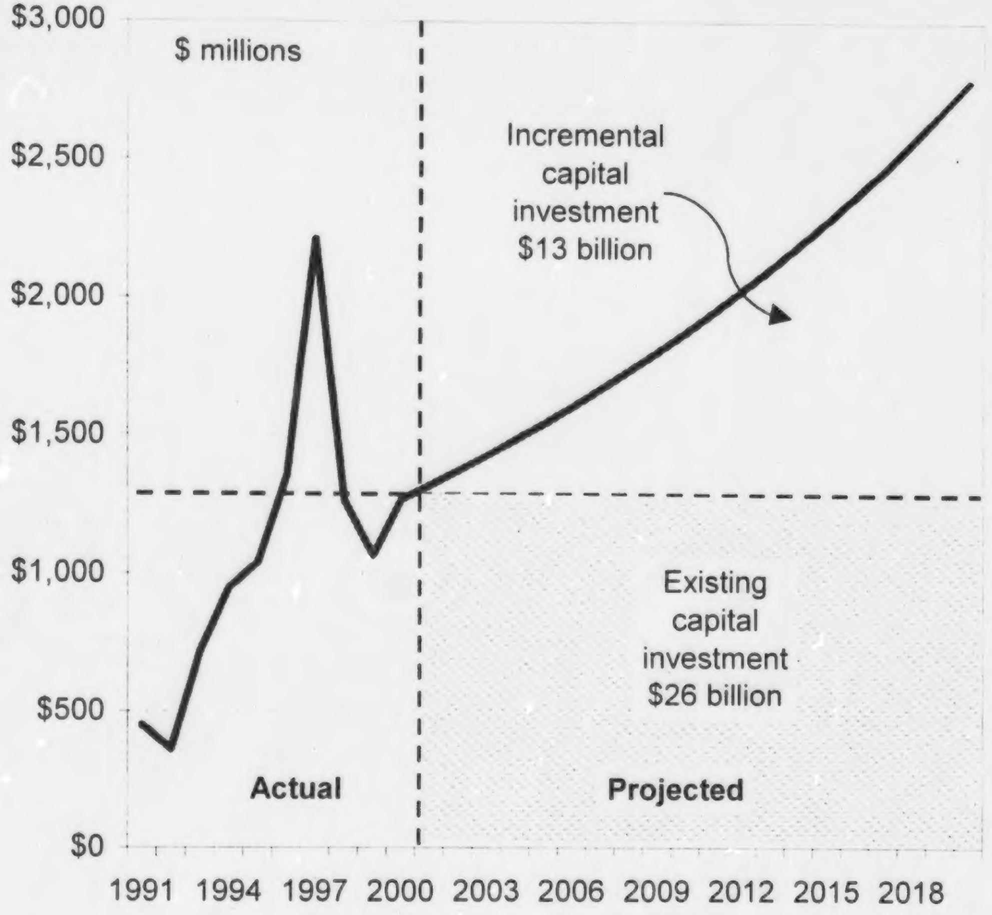
Implications for the Resource Sector - Capital Investment

Relationship between GDP and Investment in the Resource Sector



- The relationship between capital investment and resource sector GDP is strong and consistent with very little lag time between investment and increases in GDP.
- The 500% growth in capital investment between 1992 and 1997 led to a 50% increase in resource sector GDP. Over the longer term the $1.3 billion annual investment yielded a 4.3% growth rate in GDP.

Implications for the Resource Sector - Capital Investment

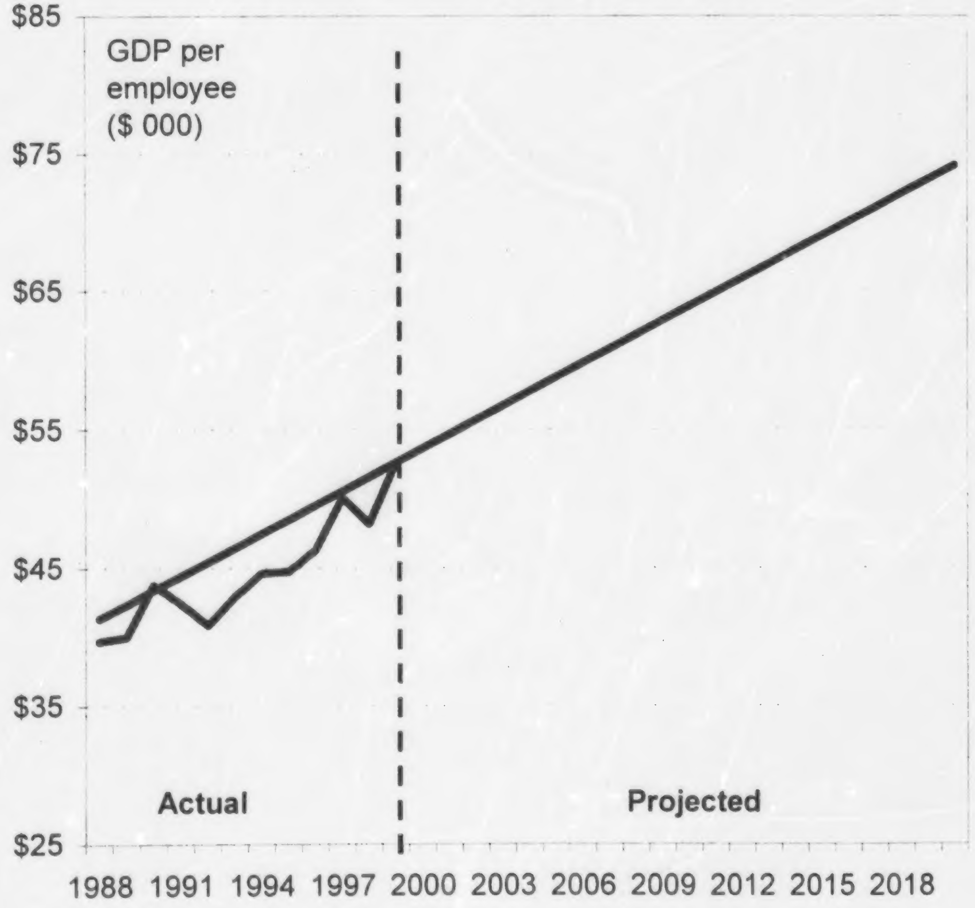


Actual and Projected Capital Investment
Rural Resource Sector

- To sustain the assumed 4% growth rate in resource sector GDP, we assume that capital investment will have to grow at annual rate of 4% as well.
- For the rural component of the resource sector, this implies a total of $13 billion in incremental capital investment. Capital investment in the rural resource sector increases from its current estimated level of $1.3 billion to $2.8 billion by 2020.
- Total investment in the rural resource sector is $39 billion over the twenty years.

Implications for Manufacturing and Processing - Employment

Labour Productivity, Manufacturing & Processing
(GDP per employee: provincial totals)

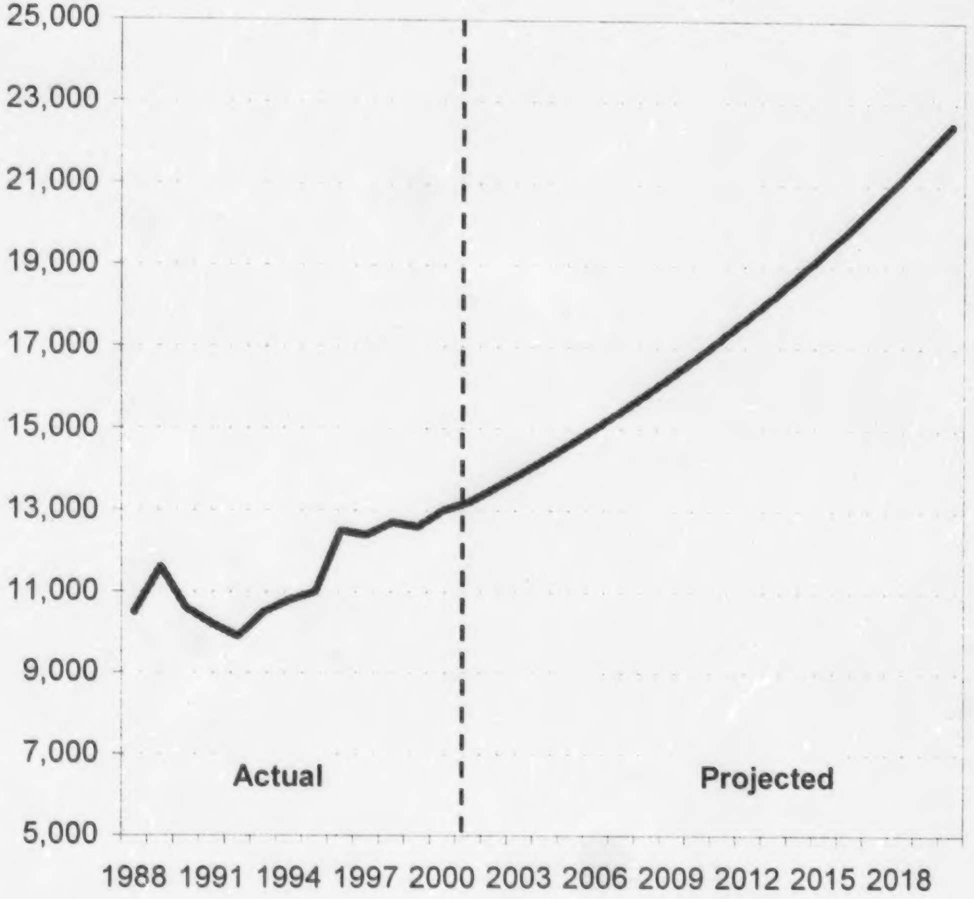


- Output per employed person in manufacturing and processing is affected by the kind of products manufactured. Productivity is much higher in "high technology" production environments such as motor vehicles than in, for example, clothing.

- The assumption for the model is that output per employed person will continue to grow at the current trend line, increasing by an average of 1.6% per year from it's current level of $53,000 per employee to almost $75,000 per employee in 2020.

Implications for Manufacturing and Processing - Employment

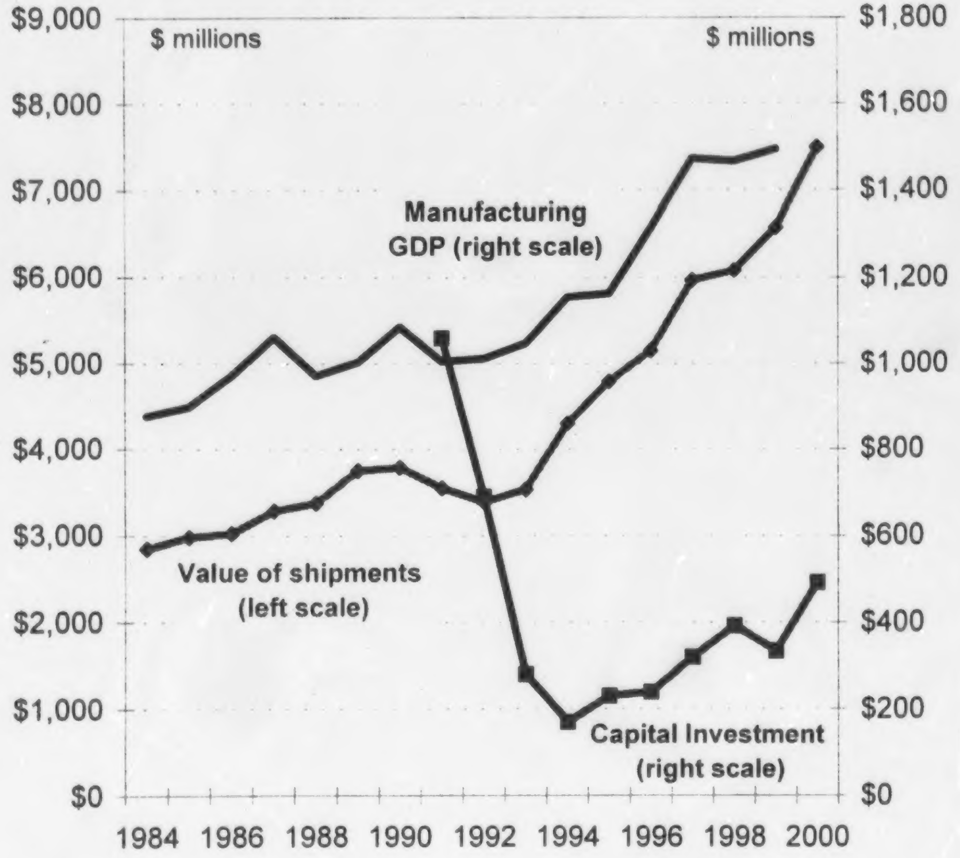
Actual and Projected Employment
Rural Manufacturing and Processing



- With the 4.3% growth in GDP and the 1.6% increase in labour productivity, incremental employment requirements in rural manufacturing and processing will be 9,000 over the next 20 years.
- Total employment reaches 22,000 persons by 2020.
- This is effectively a continuation of the trend line in the 1990s.

Implications for Manufacturing and Processing - Investment

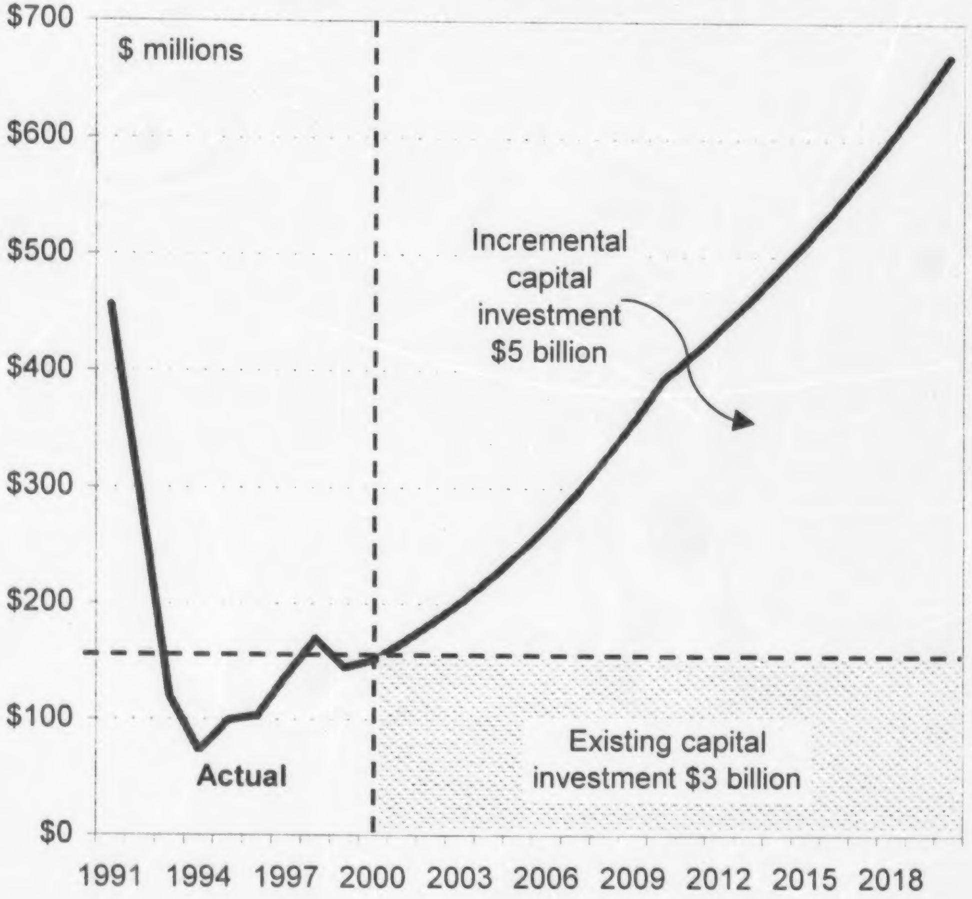
Relationship between Investment in Manufacturing, Output, and GDP



- The relationship between capital investment in manufacturing and processing and increases in output or GDP is complex.
- The lack of capital investment data prior to 1990 makes analysis difficult but the increase in output from 1993 to 1997 appears to be a consequence of the high levels of capital investment in 1991 and 1992.
- Manufacturing GDP tends to follow output relatively closely.

Implications for Manufacturing and Processing - Investment

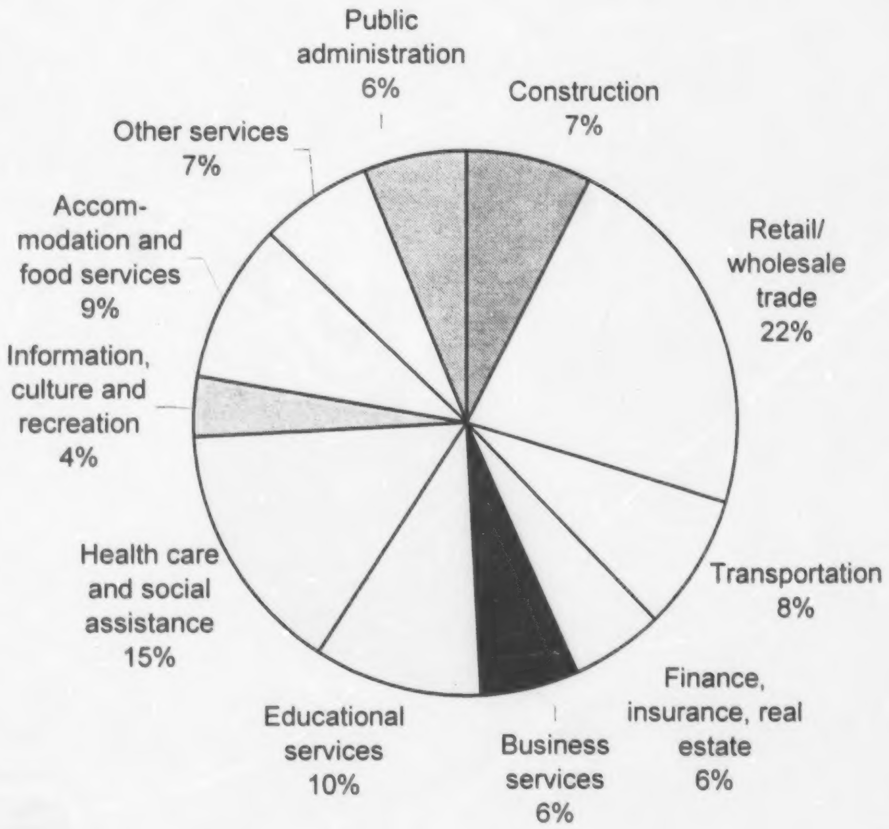
Actual and Projected Capital Investment
Rural Manufacturing and Processing



- It seems clear that, at least over the short term, capital investment will have to increase in order to yield the 5.5% annual rate of growth in rural manufacturing and processing.
- The chart shows the assumed rate of growth in investment from the current estimated level of $150 million per year:
  - 10% growth rate for 2000 to 2010;
  - 5.5% growth rate from 2011 to 2020.
- With those assumptions, the incremental investment required is $5 billion, approximately $250 million per year.
- Capital investment in rural manufacturing and processing totals $8 billion or an average of $400 million per year.

Construction/Tertiary Sector - What it is

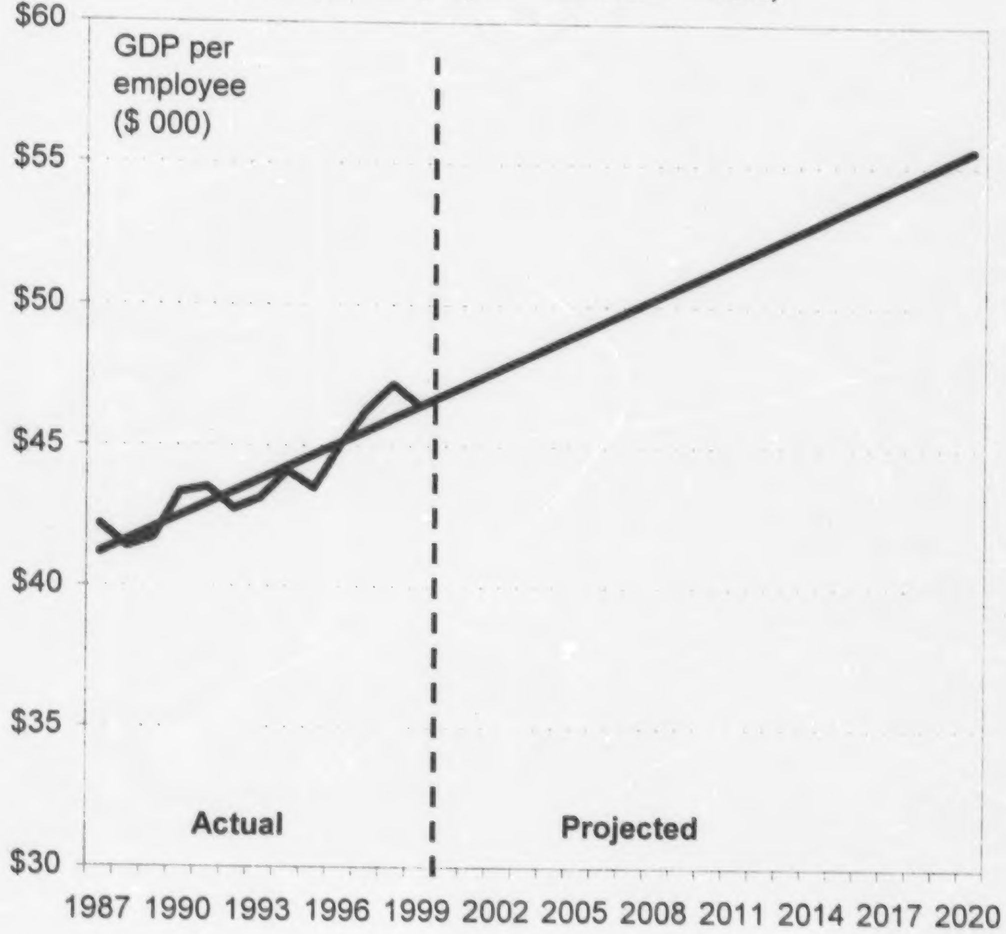
Employment in the Rural Construction/Tertiary Sector, Saskatchewan, 2000



- With a growing rural economy, much of the employment growth in the rural construction/tertiary sector will occur in:
  - construction;
  - accommodation and food services;
  - educational services;
  - transportation; and
  - retail/wholesale trade.
- Most of the indirect (spinoff) effects into business services and the finance/insurance industry will accrue to Regina and Saskatoon.

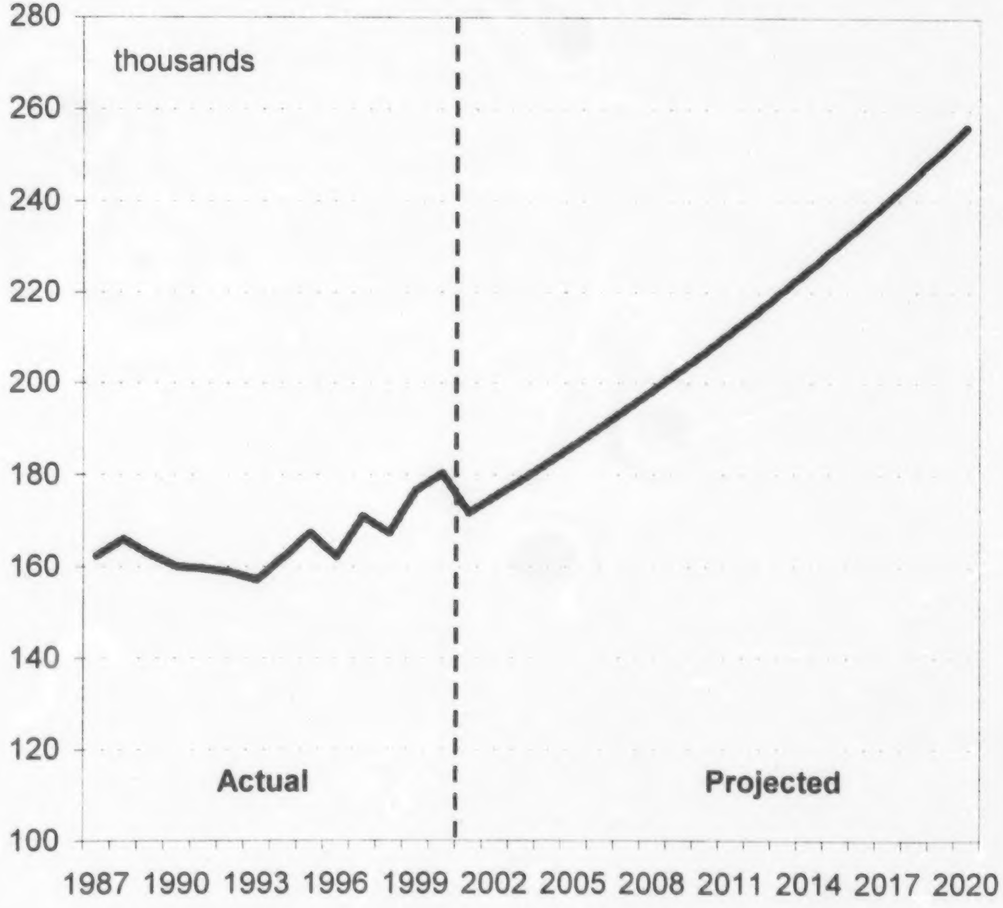
Implications for the Tertiary Sector - Employment

Labour Productivity, Construction/Tertiary Sector
(GDP per employee Provincial Totals)



- Output per employed person in the tertiary sector is currently near $46,000 per person.
- The assumption for the model is that output per employed person will continue to grow at the current trend line, increasing by an average of 0.9% per year from it's current level of $46,000 per employee to $56,000 per employee in 2020.

Implications for the Tertiary Sector - Employment

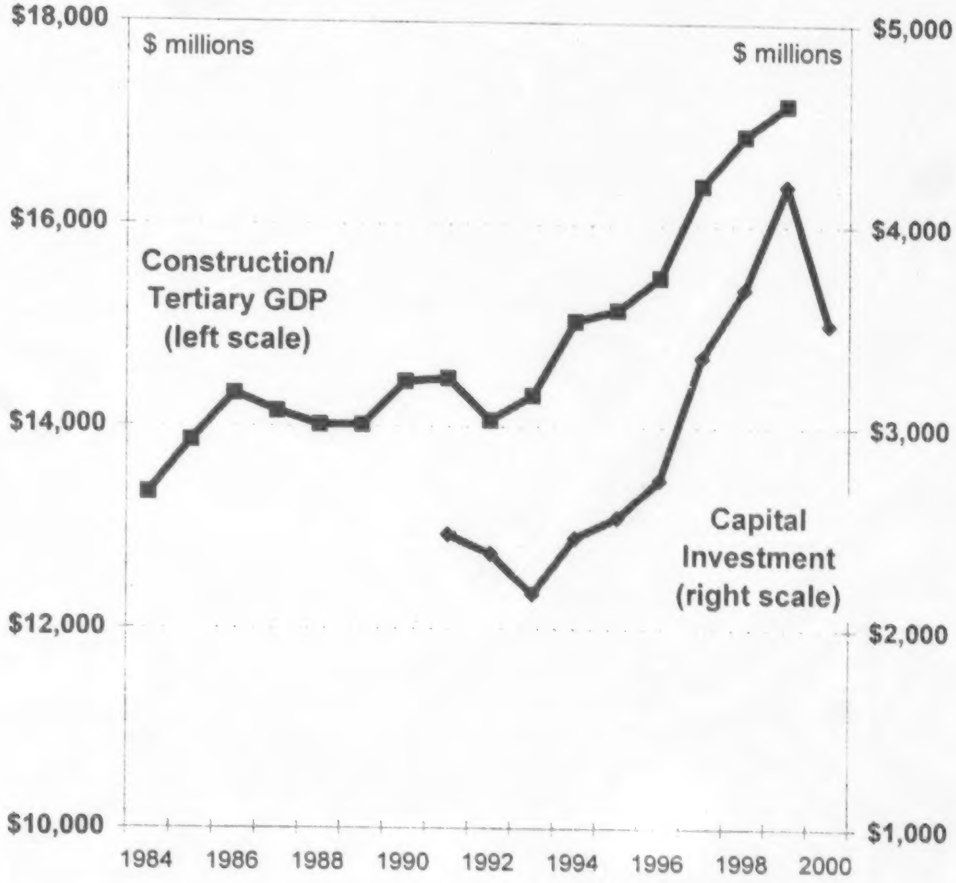


Actual and Projected Employment
Rural Construction/Tertiary Sector

- With the growth in GDP and the increase in labour productivity, employment requirements in the rural tertiary sector processing will increase substantially, from 170,000 people to 260,000 by the end of the forecast period.

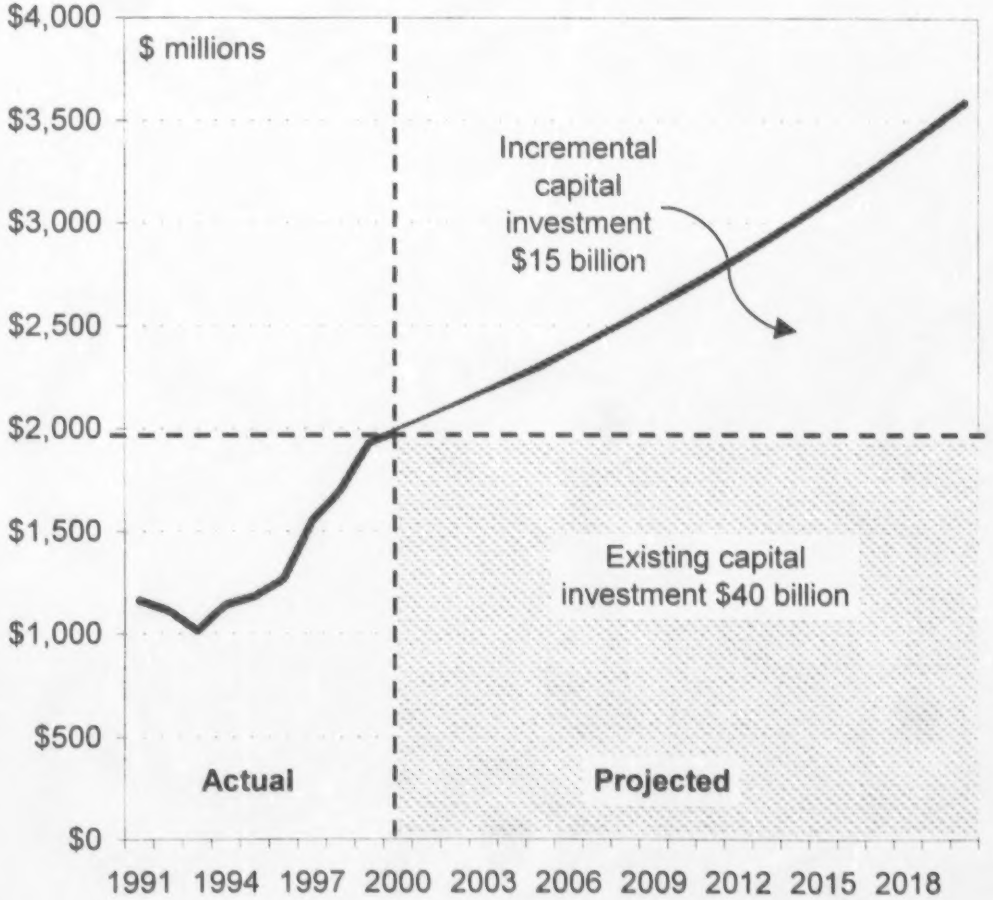
Implications for the Tertiary Sector - Investment

Relationship between Investment in the Construction/Tertiary Sector and GDP



- The relationship between capital investment in the tertiary sector and GDP is linear and consistent.
- The model assumes a growth rate of 3.0% per year in new capital investment.

Implications for the Tertiary Sector - Investment



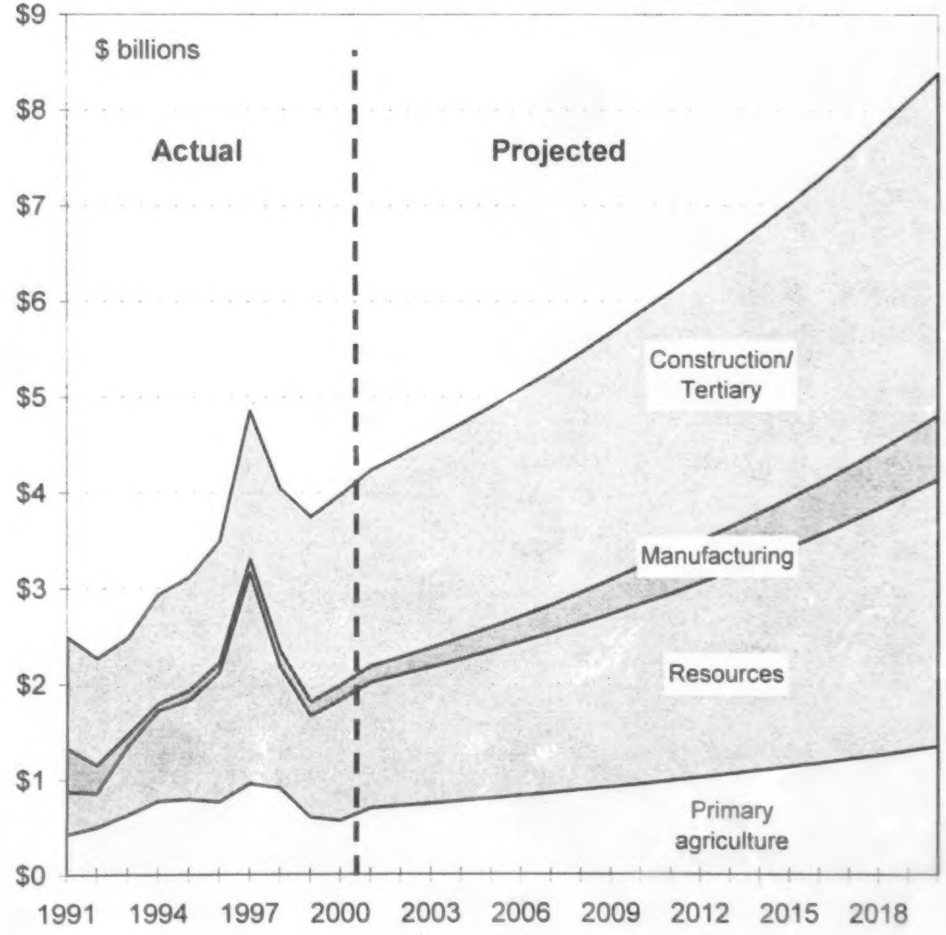
Actual and Projected Capital Investment
Rural Construction/Tertiary Sector

- With those assumptions, the incremental investment required is $15 billion, approximately $750 million per year.
- Capital investment in the rural tertiary sector totals $55 billion or $2.75 billion per year.

Aggregate Impacts

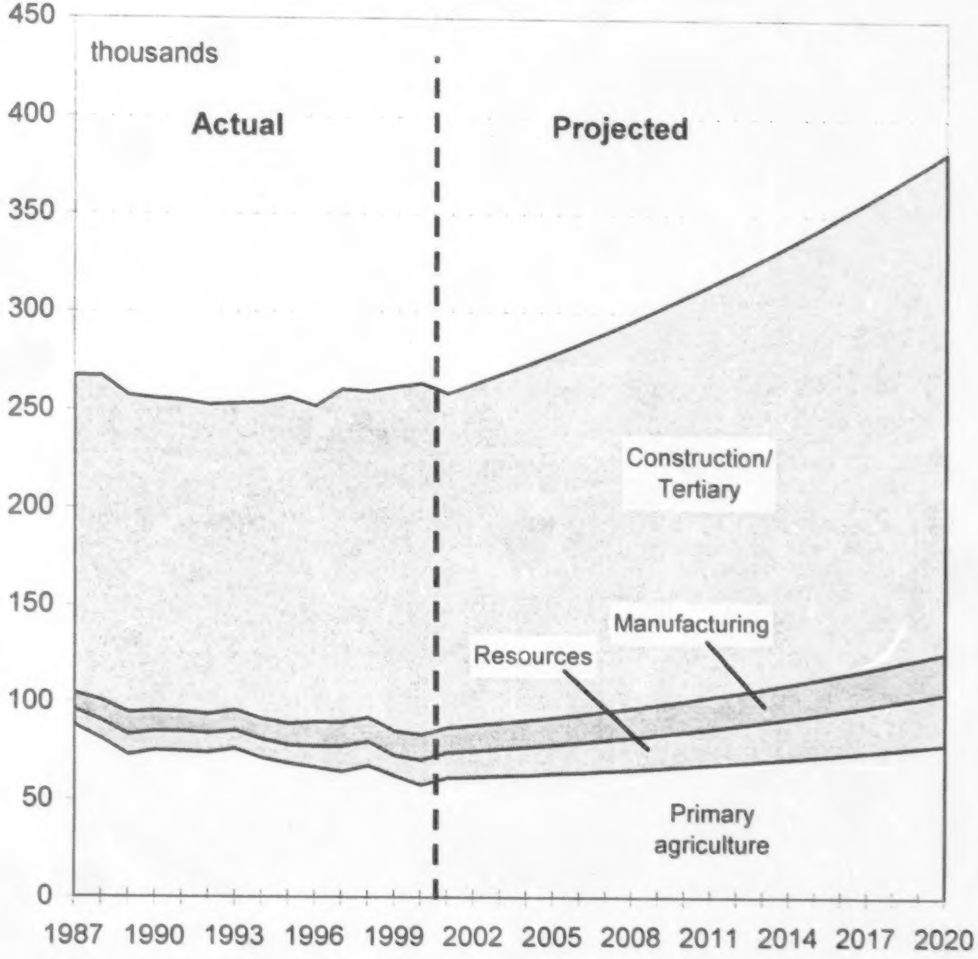
Required Investment - Aggregate of the Four Sectors

Total Rural Capital Investment



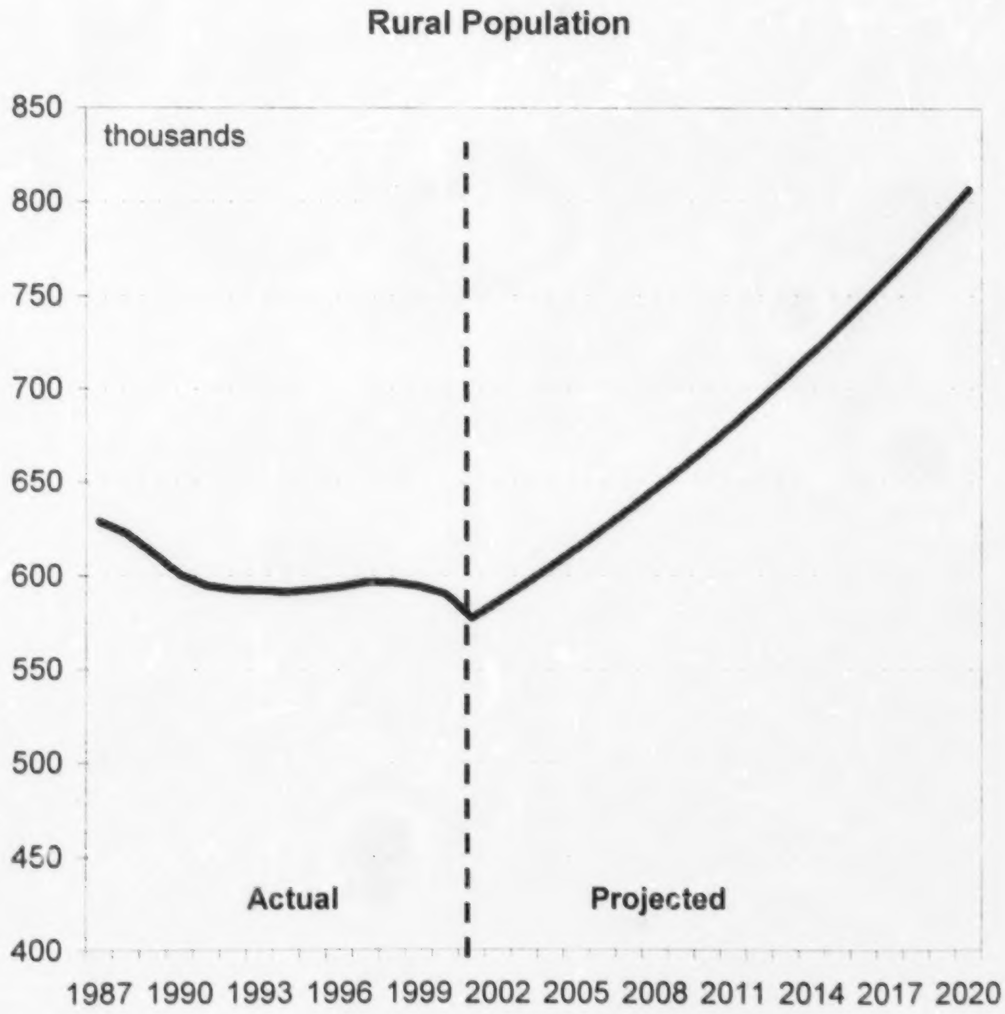
- The projection suggests that, in order to achieve a 3½% growth rate over the next twenty years, $220 million per year of incremental capital investment will be required, doubling the current rate of capital investment over the course of the twenty years from $4 billion to over $8 billion per year.
- Although the graph shows a linear increase, in actual practise there may be a need to significantly "front-end" load the capital investment.
- Total incremental capital investment required over the twenty years is $40 billion.

Impact on Employment - Aggregate of the Four Sectors


Total Rural Employment

- Employment will begin to increase as new projects are implemented. Most of the employment growth is in the (labour-intensive) construction/ tertiary sector.

Impact on Population

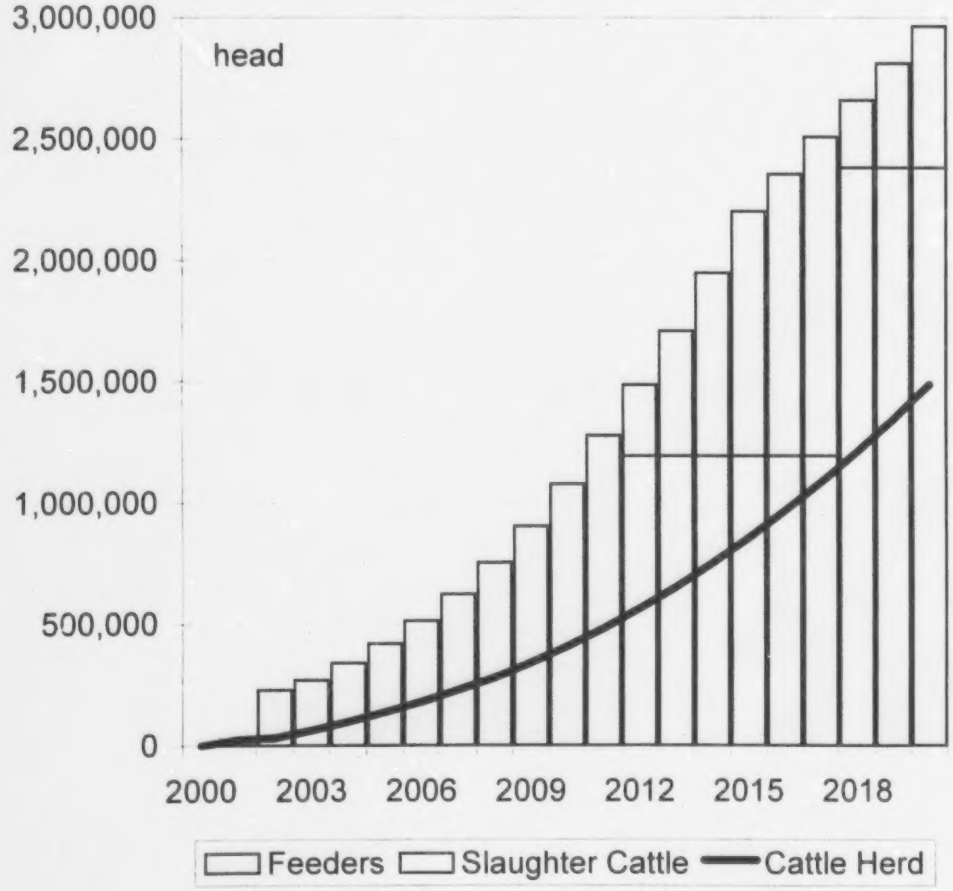


- Assuming a constant employment rate at its current level of 62%, the population in rural Saskatchewan will need to grow from 575,000 to 800,000 over the twenty years in order to provide an adequate labour force.
- This kind of growth rate implies a significant increase in international and inter-provincial migration to the province.

Getting to There from Here: Sample Projects/Developments

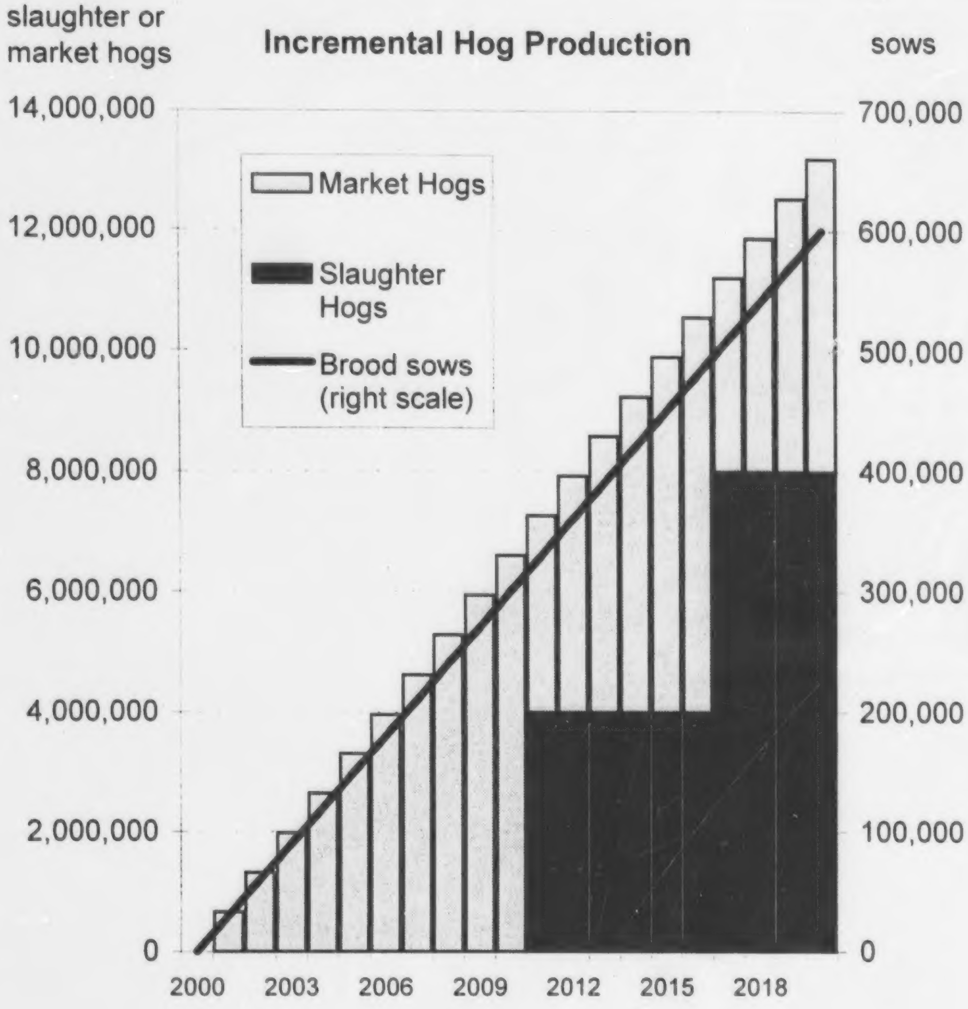
Project/Development #1: Cattle

Incremental Cattle Production



- Saskatchewan currently has approximately one million beef cattle. Increasing the herd size to 2.5 million will provide development opportunities for feedlots and, in the longer term, two beef packers. The growth rate is based on the addition of 250 new 300 cow herds per year.
- For every herd of 300 cow/calf pairs:
  - capital investment of $48,000;
  - employment increases by one person;
  - GDP grows by $30,000.
- For every 20,000 feedlot feeders:
  - GDP grows by $1 million;
  - employment increases by 21;
  - capital investment increases by $29 million
- Each packing house processes 4,500 cattle per day, requires $100 million in investment and increases employment by 1,500 and GDP by $45 million.

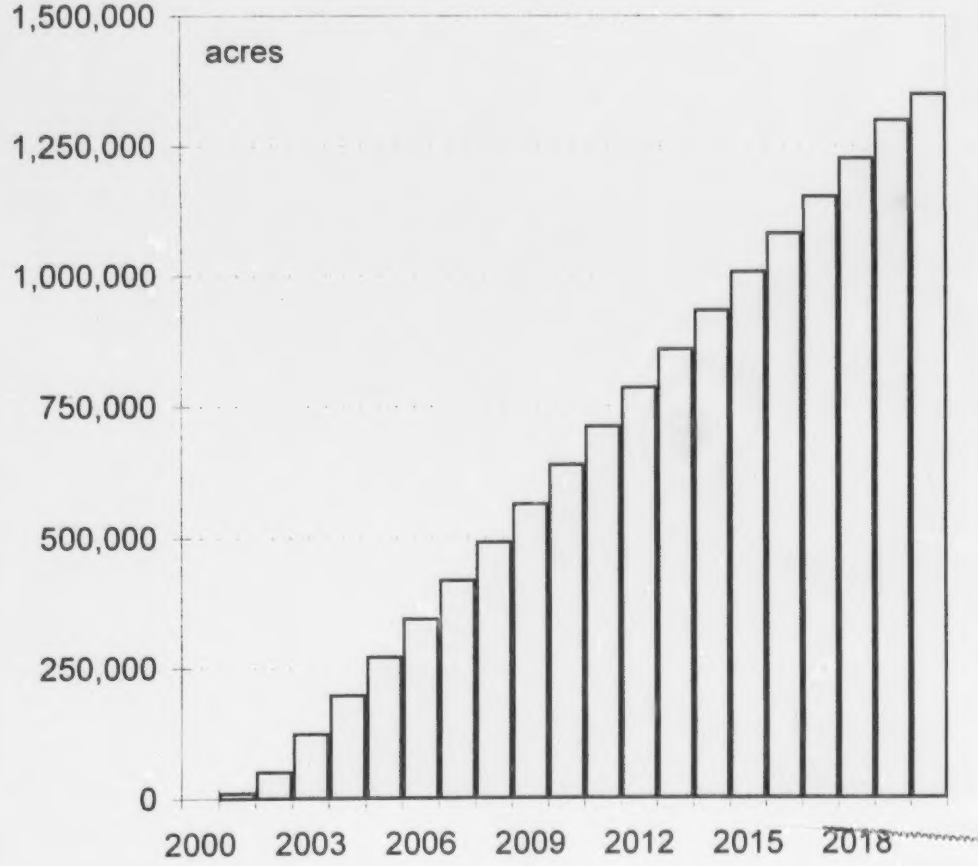
Project/Development #2: Hogs



- Saskatchewan currently has approximately 100,000 sows. Increasing the number by 30,000 sows per year will provide, over the forecast period, the opportunity for two hog packers.
- Every 5,000 sow barn:
  - requires $23 million in capital investment;
  - increases employment by 41 persons; and
  - increases GDP by $3.3 million.
- The packing house requires $100 million in investment and increases employment by 1,500 and GDP by $45 million.

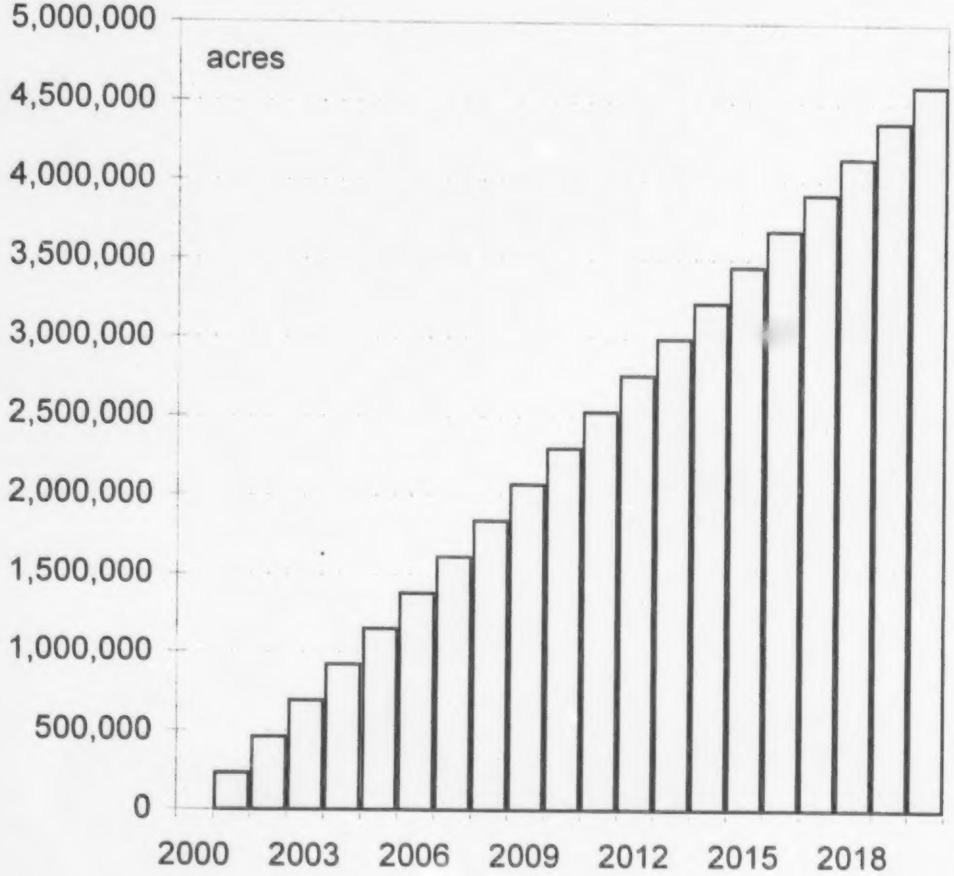
Project/Development #3: Agroforestry

Incremental Tree Farm Development



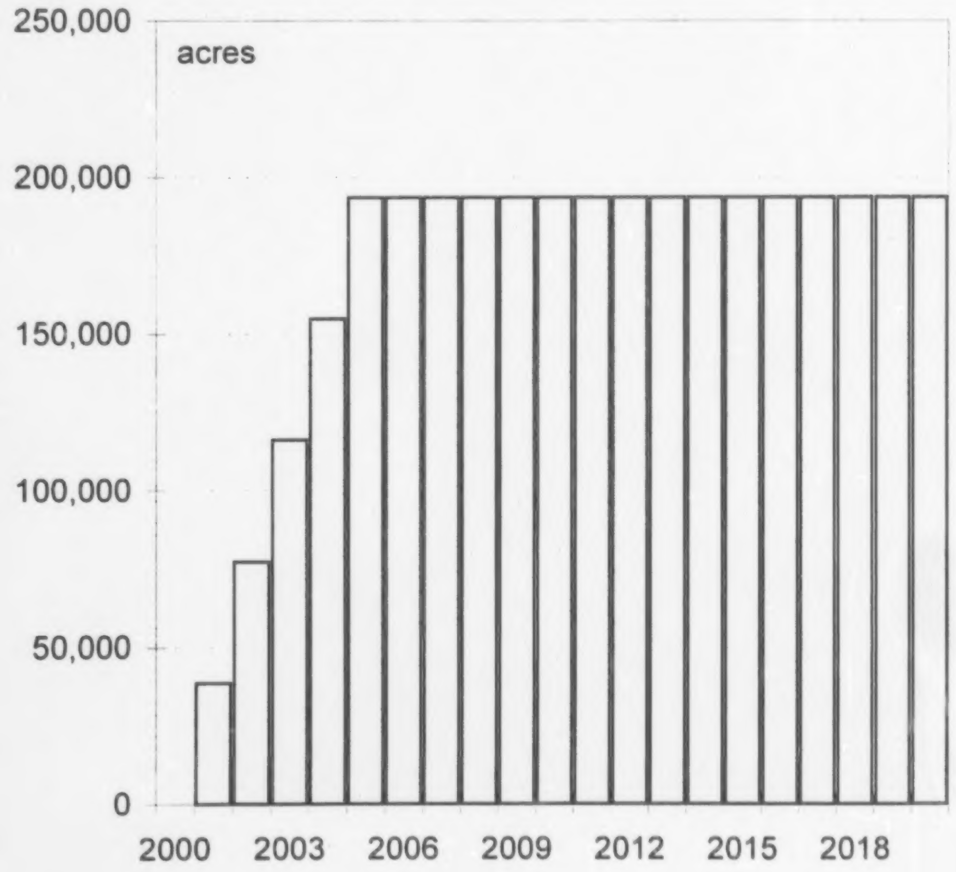
- Conversion of crop acreage along the northern fringe of the grain belt to tree farms will, in the long term, provide an opportunity for one or more fibre plants.
- Every section of tree farm development:
  - requires a capital investment of $600,000;
  - increases employment by 2 persons; and
  - increases GDP by $120,000.
- Near the end of the forecast period, production is sufficient for a a fibre plant. The plant will require a $200 million investment,
  - employ 260 people, and
  - contribute $50 million to GDP.

Project/Development #4 - Organic Crop Production


Incremental Organic Crop Development

- Conversion of 1/4 of the current production of field peas, wheat, and flax into certified organic products will generate $145 million in GDP.
- No incremental capital or labour is required for this conversion.

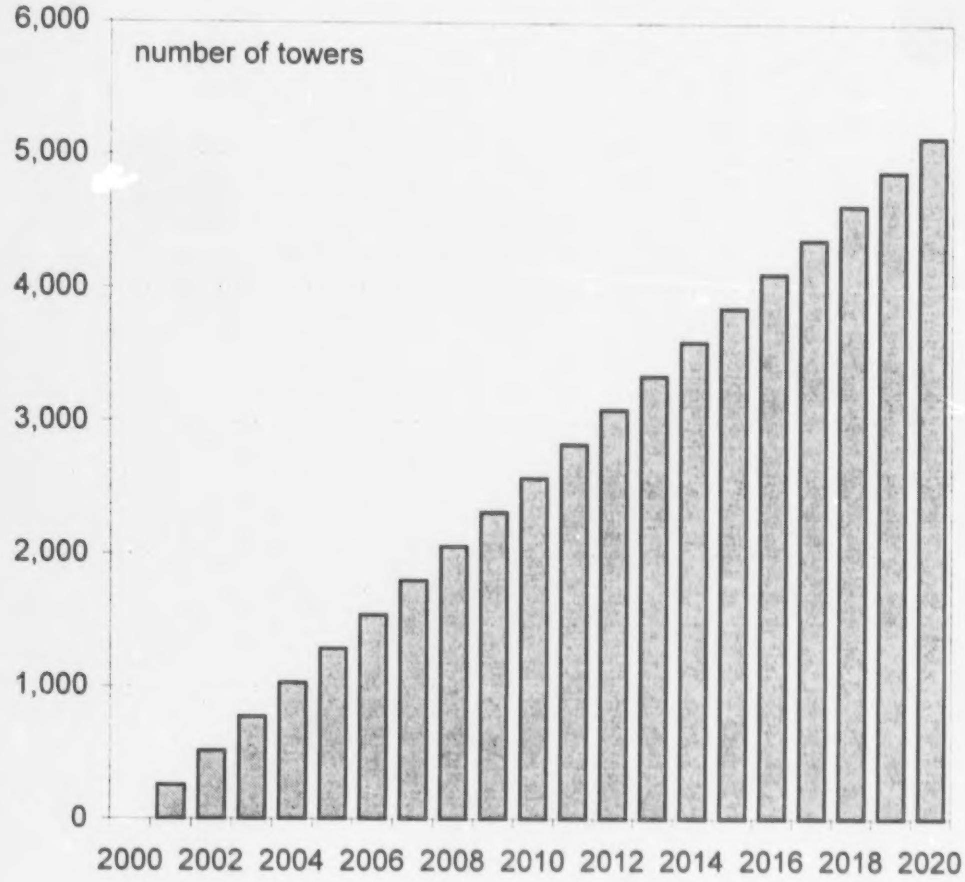
Project/Development #5 - Nutraceuticals


Incremental Nutraceutical Development

- The model assumes establishment of:
  - 15 plants producing supplements;
  - 57 plants producing herbs and botanicals; and
  - 42 plants producing natural care products.
- The farms are phased in over the first five years. This will require an initial $2 million in capital investment to reach 200,000 acres. The contribution to GDP will be $5 million. Employment will increase by 160 persons
- A processing plant is established in 2010. The plant will:
  - require $24 million in capital investment;
  - employ 60 persons; and
  - generate $11.5 million in GDP.

Project/Development #6 - Wind Farms

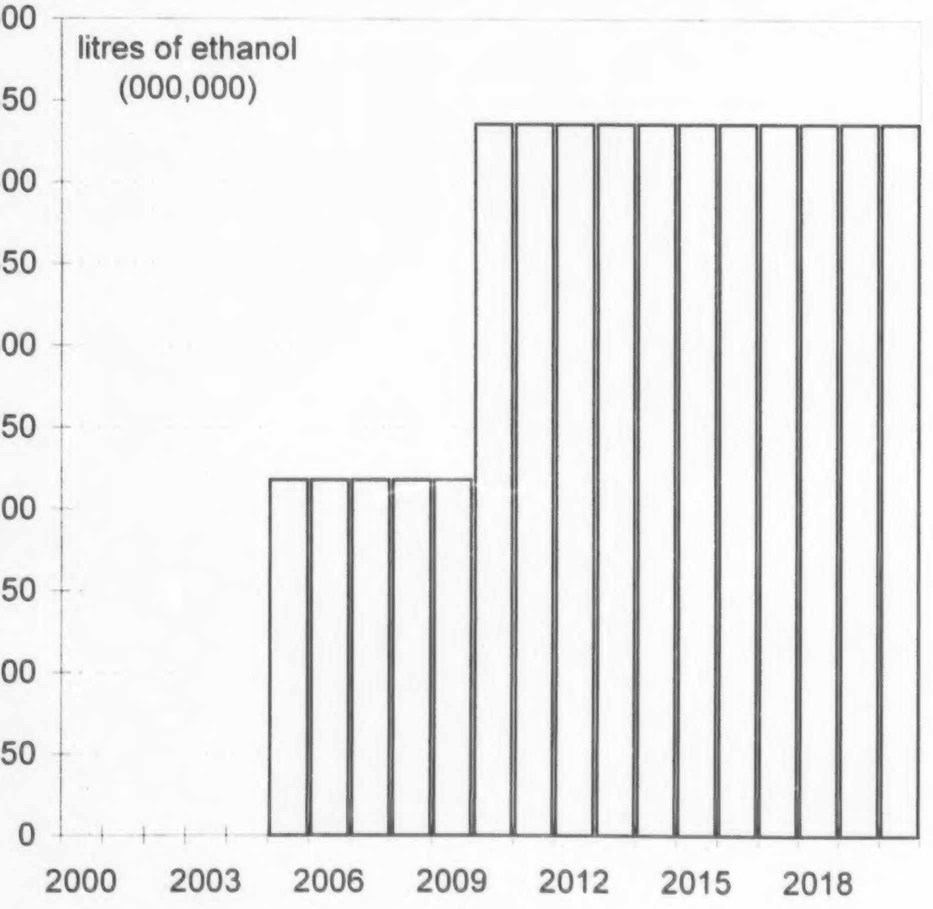
Wind Power Development



- Each tower produces 0.66 megawatt hours. A total of 5,000 units phased in over twenty years would ultimately generate 20% of today's current electrical consumption - 3.4 gigawatt hours.
- Capital required is $1.2 million per turbine.
- Employment required is 1,500 persons at the end of the twenty years.
- Contribution to GDP depends on Kyoto agreement but is assumed to be $3.3 million by the end of the forecast period.

Project/Development #7 - Ethanol Plants

Incremental Ethanol Development



- Two $100 million ethanol plants are assumed in the model - one in 2005 and one in 2010.
- Each plant has 40 employees and generates $16.2 million of GDP.
- Each plant produces 218 million litres of ethanol. (Motor gasoline sales in Saskatchewan are approximately 1,700 million litres.)

Summary

	Rural GDP in billions of 1992 dollars			
	Current (2000)	Status Quo (2020)	Target (2020)	Modelled (2020)
Primary Agriculture	$1.8	$2.8	$3.9	$3.9
Resource Sector	$3.0	$6.6	$6.6	$6.6
Manufacturing and Processing	$0.7	$1.0	$1.7	$1.5
Construction/Tertiary	$8.0	$12.0	$14.4	$14.4
Total	$13.5	$22.4	$26.5	$26.3

	Rural Employment (000)			
	Current (2000)	Status Quo (2020)	Target (2020)	Modelled (2020)
Primary Agriculture	58	57	79	74
Resource Sector	13	20	20	20
Manufacturing and Processing	13	14	22	21
Construction/Tertiary	180	217	259	259
Total	264	308	380	373

	Average Annual Capital Investment ($ millions)			
	Current (2000)	Status Quo (2020)	Target (2020)	Modelled (2020)
Primary Agriculture	$570	$570	$990	$964
Resource Sector	$1,268	$1,964	$1,964	$1,964
Manufacturing and Processing	$155	$408	$408	$259
Construction/Tertiary	$1,963	$1,963	$2,716	$2,716
Total	$3,955	$4,905	$6,078	$5,904

Next Steps

- Fine tune some of the existing sample projects/developments and add others that are currently being studied - e.g. irrigation, tourism development, enhanced CO_2 oil recovery.
- Using a more sophisticated economic model and/or a comparison with other provinces, justify/quantify the spinoff effects into the rural tertiary sector and to the overall provincial economy.
- Quantify current investment capital available from Saskatchewan residents and businesses.
- Examine the changes in land use implied by these developments.
- Prepare a written report documenting the model.